Government of Canada / Gouvernement du Canada

Receiver General for Canada
Hon. Stewart D. McInnes

ublic accounts of canada

1985

Volume III

The President of the Treasury Board :
Annual Report to Parliament on Crown Corporations and other Corporate Interests of Canada

Canada

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Corporate Information and Systems Division
Crown Corporations Directorate
Department of Finance and Treasury Board of Canada

Government of Canada — Gouvernement du Canada

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INTRODUCTION TO THE PUBLIC ACCOUNTS

Nature of the Public Accounts

The Public Accounts is the report of the Government of Canada prepared each fiscal year by the Receiver General as required by Section 55 of the Financial Administration Act.

The report covers the fiscal year of the Government, which ends on March 31, and is prepared from data contained in the accounts of Canada and from more detailed records maintained in departments and agencies. The accounts of Canada is the centralized record of the Government's financial transactions maintained by the Receiver General in which the transactions of all departments and agencies are summarized. Each department is responsible for agreeing its accounts to the control accounts of the Receiver General, and maintains detailed records of the transactions in those accounts.

The report covers the financial transactions of the Government during the year. In certain cases, parliamentary authority to undertake transactions was provided by legislation approved in earlier years.

Format of the Public Accounts

The Public Accounts is produced in three volumes.

Volume I presents a summary and analysis of the financial transactions of the Government while **Volume II** presents the financial operations of the Government, segregated by department and associated agencies, as well as additional information and analysis of selected types of payments.

Volume III responds to Subsection 153(1) of Part XII of the Financial Administration Act which was proclaimed on September 1, 1984. In it, the President of the Treasury Board provides Parliament with an annual consolidated report on the businesses and activities of all parent Crown corporations. The report includes a list naming, as of a specified date, all Crown corporations and all corporations of which any shares are held by, on behalf of or in trust for the Crown or any Crown corporation. Employment and financial data, including aggregate borrowings of parent Crown corporations and other information, are also provided.

INTRODUCTION

Subsection 153(1) of the new Part XII of the *Financial Administration Act* (FAA), which was proclaimed on September 1, 1984, requires the President of the Treasury Board to provide Parliament with an annual consolidated report on the businesses and activities of all parent Crown corporations. Such Annual Reports must be tabled no later than December 31 of each year. During the first year of the new legislation, a transitional Report was tabled on June 25, 1985, relating to activities prior to July 31, 1984. This Report covers the corporations' financial years ending on or before July 31, 1985.

OVERVIEW

At their financial year-ends, ending on or before July 31, 1985, the 54 parent Crown corporations on which I must report, together with their subsidiaries, employed 197,000 people and had total assets of $53.3 billion. These totals differ only slightly from the totals in my 1983-84 Annual Report.

The corporations together added $580 million to their indebtedness in this reporting period. Much of this change in performance, compared to last year, can be attributed to unusually heavy borrowing by Canada Deposit Insurance Corporation in the 1983-84 reporting period, together with a diminution of new borrowing by Farm Credit Corporation in 1984-85 as demands by farmers for loans declined sharply, relative to demand in prior years. A further factor in this change in growth of indebtedness was the forgiving by Canada in 1984-85 of $308-million in obligations of Canada Mortgage and Housing Corporation (a step which added an equal amount to the budgetary support recorded for this corporation in the reporting period).

Crown Corporations

The financial and employment data relate to 54 parent Crown corporations, including four new corporations which have been added since July 31, 1984. Three of the corporations have been added to Schedule C-I of the *Financial Administration Act* (FAA): the Canadian Institute for International Peace and Security, the International Centre for Ocean Development, and Pêcheries Canada Inc. The scheduling of the fourth corporation - the St. John's Port Corporation - was imminent when this Report was being prepared. Another seven Crown corporations* are exempt from the requirements to which the Report responds but, as this Report is the document of record on Crown corporations, their audited financial statements are included.

During the year, a number of inactive corporations were identified and appropriate legislation was introduced for wind-up or dissolution of the following corporations:

Canadian Sports Pool Corporation
Canagrex
Canadian National (West Indies) Steamships, Ltd.
Loto Canada Inc.
St. Anthony Fisheries Limited
Societa a responsibilita limitata Immobiliare San Sebastiano
Uranium Canada, Ltd.

Pursuant to Bill C-53 which received Royal Assent on June 27, 1985, Northern Transportation Company Limited, one of the corporations earmarked by the government as a prime candidate for privatization, was sold in July 1985.

Although the status of the above-named corporations is changing, their activities are reported in this volume and their activities up to the termination of their status as Schedule C corporations will be reported in the next Annual Report for 1985-86.

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* Bank of Canada, Canada Council, Canadian Broadcasting Corporation, Canadian Film Development Corporation, Canadian Wheat Board, International Development Research Centre and the National Arts Centre Corporation.

Mixed and Joint Enterprises

Subsection 153(3) of Part XII of the FAA, requires the President of the Treasury Board to include in the Annual Report a complete listing of all corporations of which any shares are held by the Crown. This legislation provided, for the first time, a technical requirement for the Treasury Board to report on mixed enterprises (those which have share capital owned jointly by Canada and the private sector) and joint enterprises (those which have share capital owned jointly by Canada and provincial or municipal governments).

The 1985 Report of the Auditor General of Canada to the House of Commons stated that my 1983-84 Annual Report provided the single most complete listing of Canada's mixed and joint enterprises and commented upon the information contained in the listing. Modifications to the listing have been made in this volume to reflect these suggestions. These changes are aimed at providing Parliament with an improved information base, one aspect of a strengthened accountability regime for mixed and joint enterprises.

This Annual Report is designed to replace the following publication, which will no longer be issued:

Crown Corporations and Other Canadian Government Corporate Interests (published by the Treasury Board of Canada, December 1982 and March 1984)

CONTROL AND ACCOUNTABILITY OF CROWN CORPORATIONS

The fiscal year 1984-85 was the first year during which Crown corporations were required to operate within the new framework for control and accountability established by the new Part XII of the FAA. The new legislation imposes responsibilities on the President of the Treasury Board with regard to keeping Parliament informed (pursuant to subsections 153.1(1) and 153(1) of Part XII of the Act), and I am pleased to report that all statutory requirements in this regard were met in a timely fashion.

The Treasury Board has now completed the first round of the corporate plan and budget review. I would refer the reader to my Quarterly Reports to Parliament for information regarding the timeliness of tablings of summaries of corporate plans and budgets, and of annual reports, by the appropriate Ministers.

In addition to the statutory requirements for corporations to submit corporate plans and budgets on an annual basis, I have asked corporations to report quarterly on their performance to enable the Treasury Board to monitor progress against approved corporate plans and budgets.

In order to ease the implementation of the new legislation, the following regulations were promulgated during the year:

Crown Corporation General Regulations (Notification, Disposal of Property by Agent Corporations, Remuneration and By-laws) - 31/8/84 SOR/84-743.

Crown Corporation Borrowing Regulations (Transactions, Approvals, Exemptions) - 31/8/84 SOR/84-742, amended 7/3/85 SOR/85-230.

Crown Corporation Summaries Regulations (Timing) - 24/1/84 SOR/85.128.

Other initiatives taken during this reporting period include:

- A wide-ranging review of the mandates of a large number of Crown corporations to determine whether a public-policy purpose is being served.

- The implementation by the government of improved cash management in its dealings with Crown corporations, together with the recovery of cash deemed as surplus to the requirements of Crown corporations.

CROWN CORPORATIONS AND PRIVATIZATION

There has been a significant amount of activity with regard to the privatization of Crown corporations over the last year. The May 23 Budget announced the government's intention to review its entire holdings of Crown corporations

and equity investments, starting from the basic premise that such holdings should be sold unless they are fulfilling a public-policy purpose. It also outlined a number of principles that the government would follow in effecting privatization. These included a statement that the government would be sensitive to the concerns of labour, management and other levels of government; would recognize that the method and type of divestiture will have to be considered on a case-by-case basis, with periods of mixed private and public ownership required in some instances; and would not sell Crown corporations quickly at distress prices.

The Budget also announced that a special Ministerial Task Force had been established to coordinate the government's privatization program. I chair the Task Force and have been joined by my colleagues, the Minister of Regional Industrial Expansion, the Minister of Energy, Mines and Resources and the Minister of State for Finance. In addition, a Privatization Secretariat has been established in support of the Task Force. The Secretariat is headed by a former Vice-Chairman of the board of Northern Telecom Limited and his Deputy previously held the position of Federal Economic Development Coordinator for Ontario. In addition, I have retained the firm of Salomon Brothers to act as financial adviser to the Task Force and Secretariat.

We have made concrete progress over the last year. The sale of Northern Transportation Company Limited to the Inuvialuit Development Corporation and the Nunasi Corporation was completed on July 15, 1985. At the time of printing, the formal procedure of receiving and negotiating bids for Canadian Arsenals Limited and Teleglobe Canada was under way. In addition, the government has initiated the sale of 23 million of its 30.7 million shares in the Canada Development Corporation. Finally, discussions are continuing with potential purchasers for Canadair, de Havilland Aircraft and Eldorado Nuclear Limited.

The government places a high priority on privatization, and it is proceeding with its action plan. The Task Force is presently reviewing all corporations to identify those where it is in the best interest of Canadians to transfer the government's holdings to the private sector. The Task Force will ensure that the privatization program is pursued with care. The process of selling those corporate holdings identified in the May Budget will provide an invaluable framework for planning future divestiture activities.

Additional corporations to be sold will be announced as the Task Force completes its review.

CORPORATE HIGHLIGHTS FOR THE YEAR

In dealing with 54 parent Crown corporations and their subsidiaries, it is obviously difficult to select those developments which deserve to be highlighted, and my choices were based on the degree of significance to the specific corporation. More complete information on all 54 corporations will be found in their annual reports which are tabled in Parliament.

Atomic Energy of Canada Limited (AECL)

Due to a reduced demand for new electrical generating capacity in Canada and lack of orders from abroad, AECL has been rationalizing its operations. The company's two heavy water plants have been shut down. Despite a phased reduction in the government subsidy, the level of AECL nuclear research is expected to be maintained through increased user payments.

Canada Deposit Insurance Corporation (CDIC)

In the first six months of 1985, the operations of three of CDIC's member institutions were suspended by the regulatory authorities. Four other institutions have since experienced financial difficulty and CDIC is likely to be required to make substantial payments to insured depositors of these institutions.

In January 1985, the Minister of State for Finance formed a private-sector committee (the Wyman Committee) to study the operations, structure and funding of CDIC. Its report was tabled in June 1985 and is being studied by the House of Commons Standing Committee on Finance, Trade and Economic Affairs.

Canadair

During March 1984, Canadair was reorganized into two companies, with one company, Canadair Financial Corporation, holding the long-term debt of $1,150 million and the other company, Canadair Limited, assuming the operating assets. Subsequently, Parliament authorized the government to assume the debt and the transfer is expected to be completed by the end of the year.

Significant sales of Canadair aircraft to the Federal Republic of Germany and the Department of National Defence, together with renewed corporate market sales, have resulted in a profit of $9 million for Canadair during the first six months of 1985. The improved profit picture is expected to continue for the balance of the year 1985.

Canada Post Corporation

Over the past year, the Canada Post Corporation successfully negotiated collective agreements with its unionized employees. It was the first time in the life of the corporation that such negotiations have been completed without service disruptions.

Complaints from the public about level of service have not diminished, however. Consequently, in June 1985, the Minister responsible for the Canada Post Corporation announced the appointment of a private-sector review committee to study the mandate and productivity of the corporation.

Cape Breton Development Corporation (DEVCO)

With a change in management came a renewed emphasis on sound commercial operations. Improved supply contracts were signed with the Nova Scotia Power Corporation. The ongoing development of the Phalen Mine and the completion of the first of two coal sample test tunnels at Donkin-Morien are a demonstration of DEVCO's preparedness to continue to expand and position itself to take advantage of market opportunities that may develop.

CN Marine Inc.

Legislation will be introduced shortly to make CN Marine, currently a subsidiary of CN, a parent Crown corporation in order to respond more effectively to the needs of Atlantic Canada and to reduce administrative costs.

Federal Business Development Bank (FBDB)

Tighter control over administrative costs, improved economic conditions, and other factors allowed FBDB to register an operating profit of $932,000 during 1984-85 before extraordinary items totalling $5.6 million. This represented a considerable improvement over results in recent years. In 1983-84, for example, FBDB reported a net loss of $64 million.

Petro-Canada

In pursuit of its commercial mandate, Petro-Canada strengthened its balance sheet and improved its market position by broadening its refining and retailing capacity in Western Canada through the acquisition of assets previously owned by Gulf Canada. As well, Petro-Canada paid $50 million to the government as its first common-share dividend.

Teleglobe Canada

On June 14, 1985, Teleglobe remitted a cash dividend of $108.1 million to Canada which was deemed to be surplus to the company's operating requirements.

CROWN CORPORATIONS AND EMPLOYMENT EQUITY

As stated in my last Annual Report, in March 1985 the federal government announced a policy to implement an Employment Equity Program in Crown corporations, beginning in the fall of 1985, for women, aboriginal peoples, persons with disabilities, and members of visible minority groups. The objectives are similar to those already operational within the federal Public Service - that is, the identification and removal of barriers in employment systems and practices which exclude designated groups from those employment opportunities routinely available to non-target groups; the implementation of neutral and special measures to redress the effects of employment disadvantages; and the promotion of a work force in which designated groups are equitably represented.

Crown corporations will be required to undertake substantial work force and employment systems' analyses, establish objectives, and develop and present annual action plans and progress reports. Between the time of the policy announcement and the beginning of the program in the fall of 1985, the Treasury Board Secretariat developed policy guidelines, in consultation with the parent Crown corporations, and is providing training in employment equity

techniques for Crown corporation responsible officers, in addition to ongoing technical advice and assistance in the analysis, development and implementation of results-oriented employment equity strategies.

CROWN CORPORATIONS AND OFFICIAL LANGUAGES

Crown corporations have been subject to the provisions of the *Official Languages Act* since its passage in 1969. Since 1977, the Treasury Board has been actively involved in helping Crown corporations implement the government's official languages objectives. In 1982, the *Canadian Charter of Rights and Freedoms* provided a legally-enforceable basis for Canadians to communicate with and to receive services from federal institutions, including Crown corporations, in the official language of their choice. In 1984, revisions to the *Financial Administration Act* had the effect of bringing federally-incorporated wholly-owned subsidiaries of Crown corporations under the *Official Languages Act*.

Crown corporations are required to provide services to the public in both official languages at their head offices, in the National Capital Region, and elsewhere in Canada where there is a significant demand. In general, this requirement is being met in the National Capital Region and Quebec. Elsewhere in Canada, where services have traditionally been available in English, services are not always available in French in regions of significant demand, but improvements are being made. In 1985, the Treasury Board initiated a project to consult the major parent Crown corporations on the implications of the 1984 legislation, so that official languages policies can be extended to their wholly-owned subsidiaries in a reasonable manner, taking into account their diverse mandates, operations and geographic locations.

CROWN CORPORATIONS AND THE FUTURE

The major thrust of this government towards privatization will have implications for many Crown corporations. There are no sacred cows. The policy thrust is aimed at divesting ourselves of all Crown corporations or part-ownership in corporations for which there is no longer a sound public-policy justification for ownership by Canada. We aim to accomplish this in a sound and businesslike fashion.

As mentioned earlier, we are conducting a wide-ranging examination of Crown corporation mandates and this work will continue over the next year. Some corporations will be earmarked as candidates for privatization, to add to those already identified; other corporations which have been identified as being inactive and/or non-productive are being, or will be, wound-up. It is anticipated that some corporations which are presently listed as Schedule C corporations under the FAA will be more appropriately scheduled as departmental corporations, or their function will be absorbed into the appropriate department.

In addition to the mandate reviews being undertaken internally, a number of other initiatives, such as the reviews of the Canada Post Corporation and the Canada Deposit Insurance Corporation which were mentioned earlier, are currently under way. These other initiatives include:

> Financial Institutions: The Minister for International Trade and the Minister of Finance have issued a consultation paper on export financing which identified a number of questions and issues for consideration relating to the role and mandate of the Export Development Corporation and the Canadian Commercial Corporation, as well as options in respect of other programs involved in the direct sale of goods abroad. A review of the role and mandate of the Federal Business Development Bank has also been initiated.
>
> VIA Rail Canada Inc.: The budget papers tabled in the House of Commons by the Honourable Michael Wilson, Minister of Finance, on May 23, 1985, proposed measures to improve VIA Rail service to passengers, while reducing the corporation's dependence on government funding. My colleague, the Minister of Transport, intends to bring before Parliament in the near future a bill to give VIA Rail the authority and responsibility necessary to manage its operations more efficiently and effectively.
>
> Northern Canada Power Commission (NCPC): The Minister of Indian and Northern Affairs has announced his intention to begin discussions on the possible transfer north of federal responsibility over NCPC. Options open for consideration range from the privatization of NCPC to its devolution to the territorial governments, with the objective of having a financially-sound agency which is responsive to the concerns of Northern Canada.

Through this process of re-examination, the present configuration of Crown corporations will be re-aligned. Those which remain will be able to operate with a renewed mandate and definite performance goals; and those which can be privatized will help to move us one step closer to our ultimate objective - which is to reduce government involvement in those areas of business and industry where it is clearly inappropriate and unnecessary.

It is my hope that in my next Annual Report to Parliament, I will be able to report further significant progress in reducing the government's portfolio of corporate interests, either through additional sales or through the completion of the necessary legal steps to dissolve or reschedule corporations, where appropriate.

I am pleased with the progress made during the first year of implementing the new legislation with respect to Crown corporations. We have proven that the control and accountability framework established by the legislation works, in a manner which allows the corporations to maintain their autonomy while assisting parliamentarians in their need for greater and more timely information on the activities of the corporations.

Robert R. de Cotret

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PART I

ANNUAL CONSOLIDATED REPORT ON THE BUSINESSES AND ACTIVITIES OF ALL PARENT CROWN CORPORATIONS

INTRODUCTION TO PART I

Part I of this Annual Report is a document of record on the financial affairs of all parent Crown corporations, comprised as follows:

- Tables 1 and 2 present aggregate financial and employment data for the 53 Crown corporations listed in Schedule C of the *Financial Administration Act* (FAA) in the 12 months ending July 31, 1985 plus one parent Crown corporation which awaited scheduling at the end of that period. They show that in the period covered by the Report the total of assets was $53.3 billion, employment was 196,600, and new net borrowing from all sources was $580 million. (Since the underlying data relate to the financial year of a corporation, and since different corporations have different financial years, the aggregates do not relate to a single date or period.)
- Also contained in Part I are audited financial statements, for the period covered by the Report, for each of the 54 corporations described above, except where special circumstances have prevented their inclusion.
- A Summary Page of corporate information, including a financial summary covering several years' performance of the particular corporation, precedes each set of audited statements.
- Audited financial statements of the seven Crown corporations exempted from provisions of Part XII of the *Financial Administration Act* are presented, but it should be noted that Summary Pages for these corporations are not included.

The important contribution of staff of the Department of Supply and Services in the work of assembling much of the data in this Part of the Annual Report is gratefully acknowledged.

Continuity of Reporting of Financial Data of Corporations.

Amendments to the FAA in 1984 introduced the requirement that a consolidated report to Parliament on Crown corporations be produced annually. As well, the amendments changed significantly the status in the FAA's Schedules of a number of corporations. Those changes could complicate the task of those wishing to examine financial data for a series of years on a particular Crown corporation. To limit that complication, the following comments and explanatory table are offered.

By the 1984 amendments, four corporations which previously were departmental corporations became parent crown corporations and two corporations which previously were scheduled amongst quasi-commercial corporations were added to the new Schedule B. These changes of status have resulted in significant changes relating to where the corporations' financial affairs are reported. Reporting for these and all other scheduled corporations in report periods (which correspond to the government fiscal year) subsequent to the FAA amendments will be on the following basis:

- The affairs of corporations listed in Schedule B have been, and continue to be, reported in Volume II of the *Public Accounts* for the period, together with the affairs of the related department;
- The affairs of parent Crown corporations which were listed in Schedules C and D prior to the amendments and reported previously in Volume III of the *Public Accounts* continue to be reported here, together with the affairs of any new parent Crown corporations.
- If, from now on, the scheduled status of a corporation changes in the course of a report period, its affairs for that period will be reported in two locations: they will be reported as appropriate to its status at the beginning of the report period and, as well, as appropriate to its final status.

Finally, if the audited financial statements for a particular corporation are not available when the relevant Report goes to press, those statements will be presented as soon as possible in Volume II or Volume III (this Report), whichever is appropriate for the (scheduled) status which that corporation held during the period in question.

Location of Financial Statements of Crown Corporations

The following diagram illustrates the continuity of reporting:

CROWN CORPORATION	DOCUMENT OF RECORD FOR FINANCIAL STATEMENTS	
	For report periods up to and including 1983-84	For 1984-85 and subsequent report periods
Crown Assets Disposal Corporation National Battlefields Commission	Volume III of the *Public Accounts*	Volume II of the *Public Accounts*
Canada Council International Development Research Centre National Arts Centre Corporation Standards Council of Canada	Volume II of the *Public Accounts*	*Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada, which is Volume III of the Public Accounts*
All other parent Crown corporations	Volume III of the *Public Accounts*	*Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada, which is Volume III of the Public Accounts*

Tables 1 and 2, which follow, respond to the requirement in the *Financial Administration Act* (FAA) that financial data, including employment and aggregate borrowing by corporations, be reported. The data for individual corporations are for their financial years ending on or before July 31, 1985, and totals of these data, therefore, do not relate to a single 12-month period. Further, the financial data reported by some corporations did not cover a 12-month period. For example, three local port corporations began operations when their financial year was well advanced; and Teleglobe Canada changed its financial year-end date during the report period, as a result of which its statements relate only to a 9-month period.

The list of scheduled corporations here totals 54 because of the inclusion of St. John's Port Corporation which commenced operation as a parent Crown corporation late in the report period but awaited scheduling at the time of going to press.

Reporting of data is on the following principles:

- **Year-end dates:** December year-ends relate to 1984; other year-ends relate to 1985, unless footnotes indicate otherwise.
- **Employment data** relate to the parent corporation and all its subsidiaries but do not include casual or part-time employees. Special cases are footnoted.
- **Net new borrowing data** comprise changes during the financial period in outstanding principal amounts of capital leases and long-term and short-term borrowings. They do not include adjustments for exchange rate variations and take no account of transfer of assets and related debts such as those occurring between the port administrations.
- **Funding from Canada** comprises cash paid to the parent corporation and, as well, that paid directly to its subsidiaries.

Table 1

The financial position of parent Crown corporations listed in Schedule C of the FAA
(Data as at year-end; for financial years ending on or before July 31, 1985; $ million.)

FAA Schedule	Year-end	Total Assets	Current Liabilities	Other Liabilities	Shareholder's Equity
C-I corporations:					
Atlantic Pilotage Authority	December 31	1.7	0.6	1.2	(0.1)
Atomic Energy of Canada Limited	March 31	1,225.7	320.0	757.5	148.2
Canada Deposit Insurance Corporation[4]	December 31	1,360.6	27.0	2,205.0	(871.4)
Canada Harbour Place Corporation	March 31	88.3	11.8	negl.	76.5
Canada Lands Company Limited[1]	March 31	16.0	16.0	negl.	nil
Canada Mortgage and Housing Corporation	December 31	10,277.0	234.6	9,992.4	50.0
Canada Museums Construction Corporation Inc.	March 31	50.1	5.3	negl.	44.8
Canada Post Corporation	March 31	2,369.9	418.7	349.7	1,601.5
Canadian Arsenals Limited	March 31	126.0	58.2	15.1	52.7
Canadian Commercial Corporation	March 31	380.9	344.6	nil	36.3
Canadian Dairy Commission[2]	July 31	304.0	317.6	nil	(13.6)
Canadian Institute for International Peace and Security	March 31	1.3	0.1	nil	1.2
Canadian Livestock Feed Board	March 31	2.9	2.1	0.1	0.7
Canadian National (West Indies) Steamships, Ltd.	December 31	1.0	0.4	negl.	0.6
Canadian Patents and Development Limited	March 31	1.3	0.4	0.2	0.7
Canadian Saltfish Corporation	March 31	14.5	16.9	0.9	(3.3)
Canadian Sports Pool Corporation	March 31	8.2	8.2	nil	nil
Canagrex	March 31	2.2	0.4	nil	1.8
Cape Breton Development Corporation	March 31	397.1	62.0	negl.	335.1
Defence Construction (1951) Limited	March 31	1.2	4.3	nil	(3.1)
Export Development Corporation[5]	December 31	6,611.4	2,252.8	3,504.1	854.5
Farm Credit Corporation	March 31	4,940.2	225.1	4,586.0	129.1
Federal Business Development Bank	March 31	1,566.1	658.1	705.9	202.1
Freshwater Fish Marketing Corporation	April 30	25.0	20.8	2.6	1.6
Great Lakes Pilotage Authority, Ltd.	December 31	4.3	3.1	3.4	(2.2)
Harbourfront Corporation	March 31	18.3	7.7	10.4	0.2
International Centre for Ocean Development	March 31	negl.	negl.	nil	nil
Laurentian Pilotage Authority	December 31	5.1	4.5	0.7	(0.1)
Loto Canada Inc.	March 31	negl.	negl.	(negl.)	negl.
Mingan Associates, Ltd.[1]	December 31	negl.	negl.	negl.	negl.
National Capital Commission	March 31	428.7	20.6	30.8	377.3

Northern Canada Power Commission	March 31	267.5	21.4	231.3	14.8
Pacific Pilotage Authority	December 31	4.4	1.3	0.5	2.6
Pêcheries Canada Inc.	December 31	20.9	5.1	3.5	12.3
Royal Canadian Mint	December 31	72.4	55.7	15.7	1.0
St. Anthony Fisheries Limited[1]	March 31	1.5	1.4	nil	0.1
St. Lawrence Seaway Authority, The	March 31	696.5	15.6	334.4	346.5
Societa a responsibilita limitata Immobiliare San Sebastiano	December 31	0.1	negl.	nil	0.1
Standards Council of Canada	March 31	5.3	0.6	0.3	4.4
Uranium Canada, Ltd.	December 31	negl.	nil	nil	negl.
VIA Rail Canada Inc.	December 31	749.8	134.8	6.2	608.8
Total C-I corporations		32,047.4	5,277.8	22,757.9	4,011.7
C-II corporations:					
Air Canada	December 31	2,512.6	599.8	1,399.7	513.1
Canada Development Investment Corporation[4]	December 31	678.6	139.9	1,247.5	(708.8)
Canada Ports Corporation	December 31	245.1	15.3	124.2	105.6
Canadian National Railway Company	December 31	7,466.6	1,286.6	2,855.7	3,324.3
Halifax Port Corporation	December 31	58.3	4.9	31.2	22.2
Montreal Port Corporation	December 31	237.2	14.8	244.5	(22.1)
Northern Transportation Company Limited	December 31	75.1	7.6	29.4	38.1
Petro-Canada[3]	December 31	9,055.3	855.0	3,623.7	4,576.6
Port of Quebec Corporation	December 31	83.6	3.2	0.7	79.7
Prince Rupert Port Corporation	December 31	79.6	1.9	87.7	(10.0)
St. John's Port Corporation	December 31	a division of Canada Ports Corporation in the period.			
Teleglobe Canada	December 31	574.6	100.7	111.7	362.2
Vancouver Port Corporation	December 31	221.0	13.0	109.4	98.6
Total C-II corporations		21,287.6	3,042.7	9,865.4	8,379.5
Total Schedule C corporations		53,335.0	8,320.5	32,623.3	12,391.2

See Notes, following these tables.

Table 2

Parent Crown corporations listed in Schedule C of the FAA

Employment, Borrowing and Budgetary Funding
(for their financial years ending on or before July 31, 1985)

			In their financial years; $ million.		
			Net new borrowings, leases		Budgetary funding from Canada
FAA Schedule	Year-end	Employment	from (repaid to) private sector	from (repaid to) Canada	
C-I corporations:					
Atlantic Pilotage Authority[6]	December 31	82	nil	(0.1)	0.1
Atomic Energy of Canada Limited	March 31	6,767	(8.1)	(46.3)	325.5
Canada Deposit Insurance Corporation	December 31	16	170.9	(30.0)	nil
Canada Harbour Place Corporation	March 31	57	nil	nil	48.1
Canada Lands Company Limited[1]	March 31	130	nil	nil	66.7
Canada Mortgage and Housing Corporation	December 31	3,700	nil	(218.8)	1,728.0
Canada Museums Construction Corporation Inc.	March 31	32	nil	nil	31.5
Canada Post Corporation	March 31	62,477	nil	nil	580.5
Canadian Arsenals Limited	March 31	750	8.5	nil	nil
Canadian Commercial Corporation	March 31	120	nil	nil	17.6
Canadian Dairy Commission[2]	July 31	78	nil	(51.3)	303.6
Canadian Institute for International Peace and Security	March 31	9	nil	nil	1.5
Canadian Livestock Feed Board	March 31	25	nil	nil	18.6
Canadian National (West Indies) Steamships, Ltd.	December 31	nil	nil	nil	nil
Canadian Patents and Development Limited	March 31	27	nil	nil	0.4
Canadian Saltfish Corporation	March 31	53	nil	(1.8)	nil
Canadian Sports Pool Corporation	March 31	1	nil	nil	36.5
Canagrex	March 31	1	nil	nil	5.4
Cape Breton Development Corporation	March 31	3,582	nil	2.1	107.6
Defence Construction (1951) Limited	March 31	200	nil	nil	14.5
Export Development Corporation[5]	December 31	577	602.3	(118.7)	nil
Farm Credit Corporation	March 31	635	264.9	(199.8)	10.3
Federal Business Development Bank	March 31	1,280	101.7	(157.0)	31.1
Freshwater Fish Marketing Corporation	April 30	410	nil	3.5	nil
Great Lakes Pilotage Authority, Ltd.[6]	December 31	148	nil	nil	0.3
Harbourfront Corporation	March 31	230	nil	nil	20.9
International Centre for Ocean Development	March 31	nil	nil	nil	0.8
Laurentian Pilotage Authority[6]	December 31	312	0.3	nil	1.5
Loto Canada Inc.	March 31	nil	nil	nil	(16.6)

Mingan Associates, Ltd.[1]	December 31	nil	nil	nil	nil
National Capital Commission	March 31	850	nil	(4.8)	97.1
Northern Canada Power Commission	March 31	325	nil	(8.9)	nil
Pacific Pilotage Authority[6]	December 31	152	nil	nil	nil
Pêcheries Canada Inc.	December 31	528	nil	0.5	nil
Royal Canadian Mint	December 31	641	(0.2)	(2.0)	nil
St. Anthony Fisheries Limited[1]	March 31	nil	nil	nil	nil
St. Lawrence Seaway Authority, The	March 31	1,142	nil	nil	7.4
Societa a responsibilita limitata Immobiliare San Sebastiano[1]	December 31	nil	nil	nil	nil
Standards Council of Canada	March 31	75	nil	nil	6.6
Uranium Canada, Ltd.	December 31	nil	nil	nil	nil
VIA Rail Canada Inc.	December 31	3,653	nil	nil	473.5
Total C-I corporations		89,065	1,140.3	(833.4)	3,919.0
C-II corporations:					
Air Canada	December 31	21,800	240.8	(18.1)	nil
Canada Development Investment Corporation[6]	December 31	9,287	90.6	(0.5)	550.0
Canada Ports Corporation[6]	December 31	517	nil	4.1	35.0
Canadian National Railway Company	December 31	66,234	76.5	(8.0)	171.0
Halifax Port Corporation	December 31	55	nil	nil	0.6
Montreal Port Corporation	December 31	700	nil	(0.6)	nil
Northern Transportation Company Limited	December 31	564	nil	(3.0)	nil
Petro-Canada[3]	December 31	6,697	(113.4)	nil	71.7
Port of Quebec Corporation	December 31	123	nil	nil	nil
Prince Rupert Port Corporation	December 31	12	nil	nil	1.2
St. John's Port Corporation	December 31	a division of Canada Ports Corporation in the period			
Teleglobe Canada	December 31	1,298	3.9	(0.6)	nil
Vancouver Port Corporation	December 31	230	nil	(0.1)	nil
Total C-II corporations		107,517	298.4	(26.8)	829.5
Total Schedule C corporations		196,582	1,438.7	(860.2)	4,748.5

See Notes, following these tables.

Notes to the Tables

1. For some corporations, audited consolidated financial statements for the period covered by this Report were not available when the Report was sent to press. Therefore, *preliminary data* for the report period are presented in respect of:

    Canada Lands Company Limited
    Mingan Associates, Ltd.
    St. Anthony Fisheries Limited
    Societa a responsibilita limitata Immobiliare San Sebastiano

2. Financial data presented are from audited financial statements for a 12-month period other than the report period, as follows:

    Canadian Dairy Commission - 12 months ending July 31, 1984

3. Petro-Canada financial data include those of Petro-Canada International Assistance Corporation (PCIAC); Canertech Inc. is included as an investment ($1.00). The budgetary support displayed in Table 2 was entirely for PCIAC.

4. The equity value for Canada Deposit Insurance Corporation takes account of the position of its Deposit Insurance Fund.

5. Funding data for Export Development Corporation are Corporate Account data.

6. Employment data:

    - for Canada Development Investment Corporation comprise employment in Eldorado Nuclear Limited, in Canadair Limited, in the de Havilland Aircraft of Canada, Limited and that in the parent corporation.
    - for Canada Ports Corporation do not include employment in the local port corporations named in these Tables except in the case of St. John's Port Corporation.
    - for the four Pilotage Authorities include contract pilots.

4.1

SUMMARY PAGES AND THE AUDITED FINANCIAL STATEMENTS
FOR EACH PARENT CROWN CORPORATION
LISTED IN SCHEDULE C OF THE FAA

A Summary Page precedes the audited financial statements of each of the parent Crown corporations listed in Schedule C of the FAA in the report period.

Each Summary Page presents basic information about a corporation's mandate, origins and present status and names the senior officers as of September 1, 1985. As well, a financial summary includes such information as obligations (which comprise long-term and short-term loan principal outstanding and other funding to be repaid, plus capital leases) and details of the cash provided to the corporation and its subsidiaries by Canada. The non-budgetary amounts displayed in the financial summary include equity infusions as well as loan funding.

Bracketed values () denote: for assets or equity, a deficit;
for "cash from Canada, net", a net payment to the Consolidated Revenue Fund.

SUMMARY PAGE

AIR CANADA

MANDATE

To provide a publicly-owned air transportation service, with powers to carry out other businesses incidental to the airline operation, having due regard to sound business principles and, in particular, the contemplation of profit.

BACKGROUND

The corporation's operation began in 1937. Until 1978 it was a subsidiary of CNR. Today it operates 112 jet aircraft, has 21,800 employees and its operations comprise 60 per cent of Canadian revenue-passenger air miles flown. No federal funds have been invested in Air Canada since the conversion to equity in 1978 of $324 million of its debt obligations to Canada.

CORPORATION DATA

HEAD OFFICE	500 Dorchester Boulevard West Montreal, Quebec H2Z 1X5
STATUS	— Schedule C, Part II — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	*Trans Canada Airlines Act*, 1937; repealed and replaced by *Air Canada Act*, 1977 (S.C. 1977-78, C. 5).
CHIEF EXECUTIVE OFFICER	Pierre J. Jeanniot
CHAIRMAN	Claude I. Taylor
AUDITOR	Clarkson Gordon

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	**1983**	**1982**	**1981**
At the end of the year:				
Total Assets	2,513	2,191	2,041	1,870
Obligations to the private sector	1,087	846	629	431
Obligations to Canada	228	246	263	279
Equity of Canada	513	486	482	528
Cash from Canada in the year				
— budgetary	nil	nil	nil	nil
— non-budgetary	nil	nil	nil	nil

MANAGEMENT REPORT

The consolidated financial statements contained in this annual report have been prepared by management in accordance with generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements. In support of its responsibility, management maintains a system of internal control to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets. The Corporation has an internal audit department whose functions include reviewing internal controls and their application, on an ongoing basis.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management, the internal auditors and the external auditors at least four times each year.

The external auditors, Clarkson Gordon, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board and meet with it on a regular basis.

PIERRE J. JEANNIOT
President & Chief Executive Officer

WILLIAM J. REID
Senior Vice President Finance

AUDITORS' REPORT

TO THE HONOURABLE
THE MINISTER OF TRANSPORT
AND
TO THE BOARD OF DIRECTORS OF AIR CANADA

We have examined the consolidated balance sheet of Air Canada as at December 31, 1984 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change, with which we concur, in the method of accounting for foreign exchange as explained in Note 1 to the financial statements, on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the Corporation and of its subsidiaries that have come to our notice in the course of our examination of the financial statements were in accordance with Part XII of the Financial Administration Act, its regulations, the Air Canada Act and its By-laws.

CLARKSON GORDON
Chartered Accountants

Montreal, Canada
February 15, 1985

CONSOLIDATED BALANCE SHEET DECEMBER 31
(in thousands of dollars)

ASSETS	1984	1983
Current		
Cash and short-term investments	50,684	45,995
Accounts receivable	269,581	208,567
Spare parts, materials and supplies	78,079	69,619
Prepaid expenses	10,581	6,302
Deferred income taxes	38,923	37,503
	447,848	367,986
Property and equipment (Note 3)	1,893,056	1,637,830
Flight equipment under capital leases (Note 4)	106,380	120,869
Investment in other companies (Note 5)	21,575	46,745
Long-term receivables and deferred charges	43,755	17,137
	2,512,614	2,190,567

LIABILITIES	1984	1983
Current		
Accounts payable and accrued liabilities	350,125	270,505
Advance ticket sales	153,052	146,140
Current portion of long-term debt and capital lease obligations	96,612	83,857
	599,789	500,502
Long-term debt (Note 6)	1,103,079	873,512
Long-term obligations under capital leases (Note 7)	115,497	135,126
Other long-term liabilities	17,618	12,769
Deferred credits		
Deferred income taxes	130,057	176,356
Other	33,512	6,199
	1,999,552	1,704,464
SHAREHOLDER'S EQUITY		
Share capital		
Authorized: $750 million divided into shares of one thousand dollars each		
Issued and fully paid: 329,009 shares	329,009	329,009
Retained earnings	184,053	157,094
	513,062	486,103
	2,512,614	2,190,567

See accompanying notes.

On behalf of the Board:

CLAUDE I. TAYLOR
Chairman of the Board

PIERRE J. JEANNIOT
President & Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME
AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1984	1983
Operating revenues		
Passenger	1,989,019	1,844,462
Cargo	298,464	269,772
Contract services and other	229,975	199,381
	2,517,458	2,313,615
Operating expenses		
Salaries, wages and benefits	873,214	831,269
Aircraft fuel	542,177	538,490
Sales commissions	174,951	151,796
Maintenance materials, supplies and services	111,878	96,535
Passenger meals and services	129,468	114,225
Depreciation, amortization and obsolescence	164,693	144,377
Other	478,305	408,556
	2,474,686	2,285,248
Operating income	42,772	28,367
Non-operating income (expense)		
Interest on long-term debt and capital lease obligations	(101,539)	(79,779)
Interest income	8,934	9,042
Interest capitalized	9,048	9,835
Gain on disposal of property, equipment and investments	31,277	18,523
Other	15,137	14,764
	(37,143)	(27,615)
Income before income taxes and extraordinary items	5,629	752
Recovery of deferred income taxes (Note 8)	15,564	5,338
Net income before extraordinary items	21,193	6,090
Extraordinary items (Note 2)	5,766	(2,296)
Net income	26,959	3,794
Retained earnings at beginning of year	157,094	153,300
Retained earnings at end of year	184,053	157,094

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1984	1983
Funds provided from		
Operations		
Income results	109,694	106,498
Increase (decrease) in trade balances	18,606	(21,425)
	128,300	85,073
Proceeds on disposal of property, equipment and investments	92,385	20,193
Long-term borrowings	307,886	282,167
Increase (decrease) in advance ticket sales	6,912	(4,376)
Other	2,720	(5,050)
Total funds provided	538,203	378,007
Funds used for		
Property and equipment including progress payments	430,547	343,780
Repayment of long-term debt	66,085	52,251
Repayment of capital lease obligations	21,292	19,910
Increase (decrease) in spare parts, materials and supplies	15,590	(5,564)
Total funds used	533,514	410,377
Increase (decrease) in cash and short-term investments	4,689	(32,370)
Cash and short-term investments at beginning of year	45,995	78,365
Cash and short-term investments at end of year	50,684	45,995

See accompanying notes.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS

1. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of Air Canada and its wholly-owned subsidiaries, Touram Inc., and Airline Maintenance Buildings Limited. All inter-company transactions have been eliminated.

(b) Depreciation and amortization

Operating property and equipment, including assets under capital lease are depreciated or amortized to estimated residual values based on the straight-line method over their estimated service lives. Estimated service lives for flight equipment range from 14 to 18 years, except when extended by significant modifications. Estimated service lives for other property and equipment range from 5 to 30 years.

(c) Maintenance

Maintenance and repairs are charged to operating expenses except for significant modification costs which are capitalized.

(d) Spare parts, materials and supplies

Flight equipment spare parts, and other spare parts, materials and supplies are valued at average cost, net of a provision for obsolescence of flight equipment spare parts. This provision is based on the estimated service lives of the related flight equipment.

(e) Airline revenue

Airline passenger and cargo sales are recognized as operating revenues when the transportation is used. The value of unused transportation is included in current liabilities.

(f) Interest capitalized

Interest on funds used to finance the acquisition of new flight equipment and construction of major ground facilities is capitalized for periods preceding the dates the assets are put into service.

(g) Translation of foreign currencies

Effective January 1, 1984, the Corporation adopted the recent recommendations of the Canadian Institute of Chartered Accountants for foreign currency translation. Assets and liabilities denominated in foreign currencies are translated at month-end exchange rates. Currency gains and losses are reflected in net income for the year, except for unrealized foreign currency gains and losses and long-term monetary assets and liabilities, which are deferred and amortized over the remaining lives of the related items on a straight-line basis. Prior years' results have not been restated to reflect the impact of this change. As at December 31, 1984, unrealized gains of $27.9 million have been deferred. If this change had not been made, net income for the year would have been increased by $21.2 million.

(h) Investment tax credits

Investment tax credits are recognized in income net of applicable deferred income taxes, using the flow through method.

2. Extraordinary items

As a result of changes in the method of utilizing investment tax credits brought about by amendments to the Income Tax Act in 1983, investment tax credits available from previous years have been recognized in income in the amount of $19.5 million, after deducting deferred income taxes of $18.0 million.

Provision for the cost of major staff reduction programs amounted to $13.7 million in 1984 and $2.3 million in 1983, net of the applicable deferred income tax recoveries of $12.7 million and $2.1 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

3. Property and equipment

	1984	1983
	$	$
Cost		
Flight equipment	2,308,617	1,995,831
Other property and equipment	597,014	580,504
	2,905,631	2,576,335
Accumulated depreciation and amortization		
Flight equipment	740,735	769,673
Other property and equipment	349,396	318,080
	1,090,131	1,087,753
	1,815,500	1,488,582
Progress payments	77,556	149,248
Net book value	1,893,056	1,637,830

Flight equipment includes 9 aircraft retired from service with a net book value of $12.6 million. The estimated aggregate market value of these aircraft exceeds their net book value.

4. Flight equipment under capital leases

	1984	1983
	$	$
Flight equipment under capital leases	292,103	285,663
Less: accumulated depreciation	185,723	164,794
Net book value	106,380	120,869

5. Investment in other companies

Investments in companies accounted for on the equity basis included Nordair Ltd. (86.5% owned until May 31, 1984), GPA Group Limited (22.7% owned), Innotech Aviation Limited (30.0% owned), MATAC Cargo Ltd. (50.0% owned), and Global Travel Computer Holdings Ltd. (21.1% owned from November 29, 1984). The Corporation's share of the 1984 earnings of these companies is included in other non-operating income and amounted to $4.3 million (1983—$3.6 million). The Corporation sold its investment in Nordair Ltd. effective May 31, 1984.

6. Long-term debt

	1984	1983
	$	$
Government of Canada		
7.2% note, payable semi-annually, maturing in 1993	215,198	232,987
8.31% note, payable annually, maturing in 2001	12,851	13,193
	228,049	246,180
Other		
8.7% notes due 1995/96	493,531	279,945
11.25% bonds due 1994	61,196	
8.0% notes due 1990/91	56,543	61,320
8.5% note due 1991/92	51,598	55,600
6.25% bonds due 1992	50,800	57,110
5.5% bonds due 1995	50,800	57,110
9.0% bonds due 1992	41,880	45,670
7.375% bonds due 1993	41,880	45,670
8.375% note due 1990	40,456	45,026
9.25% note due 1991	26,386	8,669
Various notes due 1986 to 1996 with an average interest rate of 10.84%	34,020	34,126
	949,090	690,246
	1,177,139	936,426
Current portion	74,060	62,914
	1,103,079	873,512

None of the long-term debt is secured.

Repayment requirements over the next five years amount to $424.1 million; $74.1 million in 1985, $80.1 million in 1986, $84.9 million in 1987, $89.3 million in 1988, and $95.7 million in 1989.

Long-term debt includes $618.7 million payable in U.S. funds, $61.2 million in U.K. Sterling, $101.6 million in Swiss francs, $83.8 million in German marks, and $23.1 million in French francs. All the U.S. debt is covered by long-term and short-term U.S. currency forward exchange contracts.

At December 31, 1984, the Corporation has financing arrangements in place totalling U.S. $97 million, primarily with the Export-Import Bank of the United States, at an average rate of 8.7%, repayable over periods of up to twelve years. The Corporation also has revolving and term credit agreements totalling $200 million with two Canadian chartered banks. The revolving and term periods are three and five years respectively. As at December 31, 1984, there were no outstanding drawings against these agreements.

7. Lease obligations

The future minimum lease payments under capital and operating leases are as follows:

	Capital leases—Aircraft	Operating leases—Aircraft & property
	$	$
1985	33,066	26,439
1986	32,441	23,423
1987	31,125	22,122
1988	30,500	13,462
1989	26,174	6,843
Remaining years	26,741	25,329
Total future minimum lease payments	180,047	117,618
Less: amount representing interest	41,998	
Present value of obligations under capital leases	138,049	
Less: current portion of obligations	22,552	
Present value of long-term obligations under capital leases	115,497	

Capital leases are recorded at the present value of the lease payments using the interest rate implicit in the lease. The average implicit interest rate of these obligations is 7.6% and their expiry dates are from 1986 to 1991.

8. Income taxes

The Corporation's recovery of deferred income taxes is made up as follows:

	1984	1983
	$	$
Provision for income taxes based on a combined basic Canadian federal and provincial income tax rate	(2,702)	(361)
Tax recovery from		
Investment tax credits, net of deferred income tax of $11,439	12,392	
Lower effective income tax rate on capital gains	3,680	3,753
Tax exempt earnings of related companies	2,001	1,752
Miscellaneous	193	194
	15,564	5,338

As at December 31, 1984, the Corporation has available $40.5 million of investment tax credits that can be applied as a reduction to future federal income taxes payable from 1985 to 1988, the benefit of which, has not been recognized in the accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Concluded*

9. Commitments

As at December 31, 1984, contracts for aircraft modifications and spare engine acquisitions amounted to approximately U.S. $26 million. Other commitments for property, ground equipment and spare parts, amounted to approximately $34 million Canadian.

10. Pension plans

The cost of funding current service pension benefits is charged to operations as incurred. Unfunded liabilities, as determined by actuarial valuations, are funded by annual payments which are charged to operations over periods recommended by the actuaries and in accordance with regulatory requirements. Experience gains or losses as determined by actuarial valuations are amortized to income over three years.

The total charge for these plans for the year was $36.2 million (1983—$51.6 million), net of an actuarial experience gain of $20.4 million.

As at December 31, 1984, the unfunded liability of the Corporation's pension plans amounted to $224 million ($262 million in 1983), based on the latest actuarial valuations undertaken as at December 31, 1983, and is being funded by annual payments over various periods ending 2003.

At December 31, 1984, the market value of the pension funds' assets exceeded the value of vested benefits.

11. Contingencies

Various lawsuits and claims are pending by and against the Corporation. It is the opinion of management that final determination of these claims will not materially affect the financial position or the results of the Corporation.

12. Related party transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown Corporations. The Corporation derives revenues from related parties for passenger, cargo and contract services. Expenses with related parties include landing fees, terminal assessments, taxes and interest on long-term debt. Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms.

13. Comparative figures

Certain of the 1983 comparative figures in the consolidated statement of income and retained earnings have been reclassified to conform to the presentation adopted in 1984.

14. Act of incorporation

The Corporation operates under the Air Canada Act, 1977, as amended.

15. Subsequent event

On January 22, 1985, the Corporation executed an operating lease from a Canadian lessor for two B-767 aircraft plus spare parts for a period of 15 years. Future minimum lease payments total $212 million.

SUMMARY PAGE

ATLANTIC PILOTAGE AUTHORITY

MANDATE

To establish, operate, maintain and administer in the interests of safety, an efficient pilotage service within designated waters in and around the Atlantic provinces.

BACKGROUND

Established in 1972, the Authority provides pilotage services and has the power to make regulations, subject to the approval of the Governor in Council, which establish compulsory pilotage areas; prescribe the ships/classes of ships that are subject to compulsory pilotage, the circumstances under which compulsory pilotage may be waived and pilotage tariffs; and which cover the licensing of pilots and issuance of pilotage certificates. Tariffs must be fair and reasonable and sufficient to permit the Authority to operate on a self-sustaining financial basis.

CORPORATION DATA

HEAD OFFICE	Bank of Montreal Tower 5151 George Street Halifax, Nova Scotia B3J 1M5
STATUS	— Schedule C, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	Established pursuant to the *Pilotage Act* (S.C. 1970-71-72, C. 52) which was proclaimed to come into force on February 1, 1972.
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	A. Douglas Latter
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	**1983**	**1982**	**1981**
At the end of the year:				
Total Assets	1.7	1.9	1.7	1.7
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	0.5	0.6	0.6	0.7
Equity of Canada	(0.1)	negl.	negl.	negl.
Cash from Canada for the year				
— budgetary	0.1	nil	0.5	nil
— non-budgetary	nil	nil	nil	nil

ATLANTIC PILOTAGE AUTHORITY

AUDITOR'S REPORT

THE HONOURABLE DONALD MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of Atlantic Pilotage Authority as at December 31, 1984 and the statements of operations, deficit, contributed capital and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Pilotage Act and by-laws of the Atlantic Pilotage Authority.

RAYMOND DUBOIS, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 4, 1985

BALANCE SHEET
AS AT DECEMBER 31, 1984

ASSETS	1984	1983
	$	$
Current		
Cash	218,165	439,476
Accounts receivable	691,233	661,106
Prepaid expenses	12,541	11,979
	921,939	1,112,561
Fixed, at cost (Note 3)	1,469,715	1,514,583
Less: accumulated depreciation	735,208	720,488
	734,507	794,095
	1,656,446	1,906,656

LIABILITIES	1984	1983
	$	$
Current		
Accounts payable and accrued liabilities	282,846	267,349
Due to Canada in respect of parliamentary appropriations	186,468	385,000
Obligation under capital lease agreements (Note 4)	71,558	65,917
Current portion of accrued employee termination benefits	14,188	27,416
	555,060	745,682
Long-term		
Accrued employee termination benefits	728,576	681,399
Obligation under capital lease agreements net of current portion (Note 4)	448,899	520,457
	1,177,475	1,201,856
	1,732,535	1,947,538
CONTRIBUTED CAPITAL AND DEFICIT		
Contributed capital	845,503	771,971
Deficit	(921,592)	(812,853)
	(76,089)	(40,882)
	1,656,446	1,906,656

Approved by the Authority:

A. D. LATTER
Chairman

C. R. WORTHINGTON
Member

J. KUSHNER
Secretary

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
	$	$
Income		
Pilotage charges	5,826,312	5,452,895
Interest and other income	32,798	27,394
	5,859,110	5,480,289
Expenses		
Pilots' fees, salaries and benefits	2,969,199	2,713,842
Pilot boats, operating costs	1,801,874	1,699,109
Staff salaries and benefits	391,148	305,508
Transportation and travel	239,173	210,728
Professional and special services	174,731	158,819
Rentals	131,662	119,395
Utilities, materials and supplies	75,888	81,387
Depreciation	73,686	78,364
Interest on capital leases	48,651	54,033
Communications	61,837	55,304
	5,967,849	5,476,489
Net income (loss) for the year	(108,739)	3,800

STATEMENT OF DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
	$	$
Balance, beginning of the year	812,853	816,653
Net income (loss) for the year	(108,739)	3,800
Balance, end of the year	921,592	812,853

STATEMENT OF CONTRIBUTED CAPITAL FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
	$	$
Balance, beginning of the year	771,971	771,971
Parliamentary appropriations to finance		
Additions to fixed assets	1,974	
Principal payments on capital leases	71,558	
	73,532	
Balance, end of the year	845,503	771,971

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
	$	$
Funds were provided from		
Operations		
Net income (loss)	(108,739)	3,800
Adjusted for items not requiring funds		
Increase in long-term accrued employee termination benefits	75,330	90,036
Depreciation	73,686	78,364
Gain on disposal of fixed assets	(333)	(1,336)
Funds provided by operations	39,944	170,864
Proceeds from the disposal of fixed assets	3,220	2,554
Parliamentary appropriations	73,532	
Total funds provided	116,696	173,418
Funds were used for		
Capital lease obligations	71,558	65,917
Decrease in long-term employee termination benefits	28,153	81,636
Additions to fixed assets	16,985	16,960
Total funds used	116,696	164,513
Increase in working capital		8,905
Working capital, beginning of year	366,879	357,974
Working capital, end of year	366,879	366,879

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1984

1. Nature of activities

The Atlantic Pilotage Authority was established on February 1, 1972 pursuant to the Pilotage Act. The objects of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act provides that pilotage tariffs shall be fair, reasonable and sufficient, together with any revenue from other sources, to permit the Authority to operate on a self-sustaining financial basis.

2. Significant accounting policies

(a) Parliamentary appropriations

It has been the practice to recover operating deficits and capital expenditures, calculated on a cash basis, from parliamentary appropriations. Appropriations received by the Authority in excess of these amounts are reflected on the balance sheet under current liabilities as "Due to Canada in respect of parliamentary appropriations".

(b) Depreciation

Depreciation of fixed assets is calculated on a straight-line basis and is based on the estimated useful life of the assets as follows:

Buildings	20 years
Pilot boats	20 years
Pilot boats under capital lease	25 years
Furniture and equipment	10 years

(c) Contributed capital

Amounts representing the values assigned to assets transferred to the Authority from Canada in 1972, the cost of capital assets and the principal portion of payments made under capital lease agreements and financed from parliamentary appropriations are shown as contributed capital.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

(d) Capital leases

The Authority leases three pilot boats from Canada under long-term financing leases. Under the terms of the lease agreements, the Authority assumes the rights and obligations of ownership. As a result, the leases are treated as purchases and the principal portion of lease payments is capitalized and depreciated over the estimated useful lives of the boats. The corresponding liability is reduced by the principal portion of lease payments and the interest portion is expensed in the year to which it relates.

(e) Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid, generally over the remaining years of service of the pilots.

(f) Employee termination benefits

Employees of the Authority are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

3. Fixed assets

	1984			1983
	Cost	Accumulated Depreciation	Net	Net
	$	$	$	$
Land and buildings	1,450	1,000	450	450
Pilot boats	378,490	269,603	108,887	131,857
Pilot boats under capital lease	964,000	389,600	574,400	612,960
Furniture and equipment	125,775	75,005	50,770	48,828
	1,469,715	735,208	734,507	794,095

4. Capital lease agreements

The Authority leases three pilot boats under long-term financing leases. The payments required under the leases are as follows:

	1984	1983
	$	$
9⅜% lease agreement, due April 1991, payable in blended annual payments of $54,785	383,500	438,285
8% lease agreement, due October 1989, payable in blended annual payments of $31,077	155,382	186,459
8% lease agreement, due November 1989, payable in blended annual payments of $31,077	155,382	186,459
Total lease payments	694,264	811,203
Less: amount representing interest	173,807	224,829
Principal amount of capital lease	520,457	586,374
Less: current portion	71,558	65,917
Principal amount of capital lease agreements net of current portion	448,899	520,457

The following is a schedule of minimum lease payments under the capital leases expiring October 1989 and April 1991.

	1984	1983
	$	$
Year ending December 31		
1984		116,939
1985	116,939	116,939
1986	116,939	116,939
1987	116,939	116,939
1988	116,939	116,939
1989	116,939	116,939
Aggregate due after 1989	109,569	109,569
Total minimum lease payments	694,264	811,203

Upon maturity of the leases, the Authority has the option to purchase each of the boats for $1.

5. Pension plan

Under provisions of the Pilotage Act, pilots may choose to become employees of the Authority and become entitled to count service prior to becoming an employee as pensionable under the Public Service Superannuation Act. For pilots who have elected to purchase pension benefits with respect to past service, the Authority is required to match the employee contribution. Total past service pension expense was $19,234 in 1984 ($23,989—1983). The estimated unfunded past service pension contribution with respect to these employees was approximately $152,000 at December 31, 1984 ($176,000 at December 31, 1983) and will be funded over the remaining years of service of the pilots, or the terms of purchase whichever is the lesser.

6. Related party transactions

The Canadian Coast Guard, through its Vessel Traffic Service Centres in Nova Scotia, New Brunswick and Newfoundland, provides a pilot dispatching service to the Authority without charge.

7. Income tax

Under the provisions of the Income Tax Act, the Authority is not subject to income tax.

8. Comparative figures

Certain of the 1983 figures have been reclassified so as to conform with the presentation adopted in 1984.

9. Subsequent event

A ship, while under the conduct of a licensed pilot of the Atlantic Pilotage Authority grounded on January 17, 1985, and eventually sank. No loss of lives resulted.

In the opinion of management and legal counsel of the Atlantic Pilotage Authority, and as provided in Section 29 of the Pilotage Act, no liability exists and no provision has been recorded in the accounts regarding this incident.

As of the date of these financial statements no claim has been established or responsibility ascertained and an estimate of any loss that may arise cannot be made.

10. Contingencies

On June 14, 1984, a ship, while under the conduct of a licensed pilot of the Atlantic Pilotage Authority struck a bridge in Newcastle, N.B., causing damages.

The pilot has been named as a Defendant regarding this incident and under Section 30 of the Pilotage Act, his maximum liability is one thousand dollars.

In the opinion of management and legal counsel of the Atlantic Pilotage Authority, and as provided in Section 29 of the Pilotage Act, no liability exists and no provision has been recorded in the accounts regarding this incident.

SUMMARY PAGE

ATOMIC ENERGY OF CANADA LIMITED

MANDATE

To develop the utilization of atomic energy for peaceful purposes.

BACKGROUND

Founded in 1952, AECL developed Candu and heavy water manufacturing technology and established related facilities. Three provincial utilities received federal financing for nuclear facilities through AECL and now make repayments to it which are passed on to Canada. The corporation was responsible for Candu reactors built recently in Argentina and in Korea and is providing services related to two Candu reactors under construction in Romania.

CORPORATION DATA

HEAD OFFICE	275 Slater Street Ottawa, Ontario K1A 0S4
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Patricia Carney, P.C., M.P.
DEPARTMENT	Energy, Mines and Resources
DATE AND MEANS OF INCORPORATION	52/02/14; under Part I of *Canada Corporations Act.* Continued 77/07/08 *Canada Business Corporations Act;* certificate amended 82/07/15. The mandate of the corporation is prescribed by s. 10(1) of the *Atomic Energy Control Act* and by its charter/articles.
CHIEF EXECUTIVE OFFICER AND PRESIDENT	James Donnelly
CHAIRMAN	Robert Després, O.C.
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**	**1982-83**	**1981-82**
At the end of the period				
Total Assets	1,226	1,285	1,348	1,331
Obligations to the private sector	36	44	52	59
Obligations to Canada	720	767	773	790
Equity of Canada	148	143	179	149
Cash from Canada in the period				
— budgetary	326	336	315	284
— non-budgetary	nil	5	8	3

FINANCIAL REPORTING RESPONSIBILITY

The financial statements and information presented in this annual report are the responsibility of the management and the Board of Directors of the Corporation. The statements have been prepared in accordance with generally accepted accounting principles and include estimates based on the experience and judgement of management.

The Corporation maintains financial, management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and accurate financial information is available on a timely basis, that resources are managed economically and efficiently in the attainment of corporate objectives and that transactions are in accordance with the Financial Administration Act and its regulations, as well as the by-laws and policies of the Corporation.

The Corporation's internal auditor, who reports independently to the Chairman of the Board, has the responsibility of reviewing the internal control systems of the Corporation. The Auditor General of Canada conducts an independent examination of the financial statements of the Corporation and reports on his examination to the Minister of Energy, Mines and Resources.

The Board of Directors' Audit Committee, composed of directors who are not employees of the Corporation, reviews and advises the Board on the financial statements and the Auditor General's report, and oversees the activities of internal audit. The Audit Committee meets with management, the internal auditor and the Auditor General on a regular basis.

AUDITOR'S REPORT

THE HONOURABLE PATRICIA CARNEY, P.C., M.P.
MINISTER OF ENERGY, MINES AND RESOURCES

I have examined the balance sheet of Atomic Energy of Canada Limited as at March 31, 1985 and the statements of income, contributed capital, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice in the course of my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the charter and the by-laws of the Corporation.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
May 9, 1985, except as to
Note 11 which is as of May 24, 1985.

BALANCE SHEET AS AT MARCH 31, 1985
(in thousands of dollars)

ASSETS	1985	1984
Current		
Cash and short-term deposits	122,664	120,967
Accounts receivable	122,224	160,917
Inventories (Note 3)	54,503	62,820
	299,391	344,704
Non-current inventory (Note 3)	11,907	15,190
Long-term receivables (Note 4)	748,343	766,663
Investment and deferred costs (Note 5)	111,509	104,403
Property, plant and equipment (Note 6)	54,556	54,314
	1,225,706	1,285,274

LIABILITIES	1985	1984
Current		
Accounts payable and accrued liabilities	93,221	64,390
Accrued interest and current portion of long-term debt	85,232	85,016
Deferred revenue	79,006	74,243
Provision for contracts in progress	62,560	99,204
	320,019	322,853
Long-term debt (Note 7)	757,529	819,107
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—75,000 common shares		
Issued—54,000 common shares	15,000	15,000
Contributed capital	58,641	63,560
Retained earnings	74,517	64,754
	148,158	143,314
	1,225,706	1,285,274

Approved by the Board:

ROBERT DESPRÉS
Director

JAMES DONNELLY
Director

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Commercial operations		
Revenue		
Nuclear supply and services	146,271	196,047
Radiation equipment and isotopes	82,546	80,161
Investment (Note 5)		16,356
Interest	80,276	77,500
	309,093	370,064
Costs and expenses		
Cost of sales and services	183,041	226,269
Product development	11,105	13,252
Marketing and administration	37,834	44,041
Interest	69,556	71,800
	301,536	355,362
Operating profit	7,557	14,702
Research and development operations		
Expenses	223,867	210,840
Less: revenue	27,391	23,584
parliamentary appropriations	195,013	184,446
Net expenses	(1,463)	(2,810)
Prototype reactor operations		
Expenses	25,310	49,509
Less: revenue	3,635	34,138
parliamentary appropriations	11,053	12,410
transfer to contributed capital (Note 8)	14,291	
Net revenue (expenses)	3,669	(2,961)
Net income for the year	9,763	8,931

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Balance at beginning of the year	63,560	108,289
Parliamentary appropriations used to discharge loan principal	9,372	8,715
	72,932	117,004
Douglas Point shutdown costs (Note 8)	14,291	
Write-off of Douglas Point prototype reactor		53,444
Balance at end of the year	58,641	63,560

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Balance at beginning of the year	64,754	55,823
Net income for the year	9,763	8,931
Balance at end of the year	74,517	64,754

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Source of working capital		
From operations	14,940	17,766
Reduction in non-current inventory	3,283	8,721
Reduction in long-term receivables	33,138	20,817
Increase in long-term debt	5,105	24,644
Parliamentary appropriations for long-term debt repayment	9,372	8,715
	65,838	80,663
Application of working capital		
Increase in long-term receivables	14,818	46,061
Increase in deferred costs	7,106	10,232
Acquisition of commercial property, plant and equipment	5,419	13,165
Reduction of long-term debt	66,683	30,855
Douglas Point shutdown costs	14,291	
	108,317	100,313
Decrease in working capital	(42,479)	(19,650)
Working capital at beginning of the year	21,851	41,501
Working capital (deficiency) at end of the year	(20,628)	21,851

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. The most significant accounting policies are summarized below:

Foreign currency translation

Transactions denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities outstanding at the balance sheet date are adjusted to reflect the exchange rate in effect at that date. Exchange gains and losses arising from the translation of foreign currencies are included in income.

Inventories

Radiation equipment and materials are valued at the lower of average cost and net realizable value. Maintenance and general supplies are valued at cost. Heavy water is valued at the lower of average cost less related parliamentary appropriations, and net realizable value. Heavy water inventory not expected to be sold within the next year is classified as non-current.

Investment and deferred costs

Investment and deferred costs are recorded at cost and charged to the revenue derived therefrom over the expected period of revenue generation.

Property, plant and equipment

Property, plant and equipment of a research and development nature are recorded at cost and expensed in the year of acquisition.

Other property, plant and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Machinery and equipment	— 3 to 20 years
Buildings	— 20 to 50 years

Costs of decommissioning nuclear facilities are expensed when incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*Concluded*

Long-term contracts

Revenue and costs on long-term contracts are accounted for by the percentage of completion method, applied on a conservative basis to recognize the absence of certainty on these contracts. Full provision is made for all estimated losses to completion of contracts in progress.

Parliamentary appropriations

The Government of Canada, through parliamentary appropriations, funds certain operations of the Corporation as outlined in Note 2. The parliamentary appropriations are offset against the applicable expenditures except for the portion used to discharge certain loan principal which is recognized as an increase in contributed capital.

The Government of Canada also provides, through parliamentary appropriations, financing for the acquisition of certain assets. Such financing is accounted for as loans repayable to the Government of Canada.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contributions to the plan are limited to an amount equal to the employees' contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to income on a current basis.

Employee termination benefits

Employees are entitled to specific termination benefits as provided for under collective agreements and conditions of employment. The liability for these benefits is charged to income as benefits accrue to the employees.

Insurance

The Corporation assumes substantially all risks pertaining to the assets and operations of research and development, and prototype reactors. Commercial assets and operations are insured to the extent considered appropriate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1985

1. Accounting policies

The summary of significant accounting policies is an integral part of these financial statements.

2. Parliamentary appropriations

Parliamentary appropriations were used during the year for the following purposes:

	1985	1984
	(in thousands of dollars)	
Research and development operations	195,013	184,446
Prototype reactor operations	11,053	12,410
Heavy water—Production	104,634	124,711
—Loan payments—Principal	9,372	8,715
—Interest	2,928	3,585
—La Prade plant maintenance	2,536	2,450
	325,536	336,317
Loan financing for the acquisition of property, plant and equipment		4,800

3. Inventories

	1985	1984
	(in thousands of dollars)	
Current		
Radiation equipment and materials	37,484	38,813
Maintenance and general supplies	4,375	3,044
Heavy water	12,644	20,963
	54,503	62,820
Non-current		
Heavy water	537,501	436,150
Less accumulated parliamentary appropriations	525,594	420,960
	11,907	15,190

These accumulated parliamentary appropriations are repayable, together with interest thereon, to the extent of future sales revenue. At March 31, 1985, no contracts had been finalized for the sale of heavy water funded by parliamentary appropriations.

4. Long-term receivables

	1985	1984
	(in thousands of dollars)	
Notes receivable		
Due from provincial utilities to finance nuclear facilities, at interest rates varying from 7.795% to 9.706%, maturing in 1992 and 2008. Refer to Note 7 for related debt	642,685	661,476
Contract receivables		
Due at fixed interest rates ranging from 7% to 10.5% and at fluctuating rates, maturing through 1995	123,269	120,666
Mortgages receivable and other	5,232	5,628
	771,186	787,770
Current portion	22,843	21,107
	748,343	766,663

5. Investment and deferred costs

	1985	1984
	(in thousands of dollars)	
Investment in Pickering 1 and 2		
The Corporation, Ontario Hydro and the Province of Ontario are parties to an agreement for the construction and operation of Units 1 and 2 of the Pickering «A» nuclear generating station, with ownership of these Units being vested in Ontario. Under the agreement, the Corporation is entitled to receive payments until the year 2001 based on the net operational advantage of the power generated by Pickering Units 1 and 2 as compared with the coal-fired Lambton Units 1 and 2	84,012	84,012
Deferred costs		
Costs incurred in modifying non-corporation owned facilities for revenue producing purposes and other deferred costs	27,497	20,391
	111,509	104,403

Pickering Units 1 and 2 remain shut down for replacement o the pressure tubes and therefore the Corporation did not earn an revenue during the year. As a result, no amortization of th investment was charged in the year (1984—$4.8 million). Th reactors are currently scheduled to be back in operation in earl 1987.

6. Property, plant and equipment

	1985			1984
	Cost	Government funding and accumulated depreciation	Net	Net
	(in thousands of dollars)			
Commercial operations				
Land	2,577	878	1,699	975
Buildings	42,918	15,782	27,136	26,849
Machinery and equipment	41,523	19,045	22,478	22,616
Heavy water plants	802,881	802,881		
	889,899	838,586	51,313	50,440
Research and development operations				
Land	9,262	9,262		
Buildings	66,184	62,941	3,243	3,874
Reactors and equipment	234,050	234,050		
Construction in progress	50,224	50,224		
	359,720	356,477	3,243	3,874
Prototype reactor operations				
Reactors and equipment	170,557	170,557		
	1,420,176	1,365,620	54,556	54,314

Depreciation of commercial property, plant and equipment for the year ended March 31, 1985, amounted to $5.2 million (1984 — $4.0 million).

Research and development property, plant and equipment expensed in the year ended March 31, 1985, amounted to $23.9 million (1984 — $21.8 million).

The decommissioning of nuclear research and prototype facilities is an integral part of the nuclear program. Currently the Gentilly-1 and Douglas Point prototype reactors are shut down. A program has been developed and implemented to bring them to a safe storage mode as the initial stage of the decommissioning program. The future net decommissioning costs of nuclear research and prototype facilities cannot be quantified at this time due to the uncertainty as to the exact nature, timing and ultimate disposal alternatives. In accordance with the Corporation's accounting policy, any such costs will be expensed when incurred.

7. Long-term debt

	1985	1984
	(in thousands of dollars)	
Loans from Canada		
To finance provincial utility nuclear facilities at interest rates varying from 6.687% to 9.706%, maturing in 1992 and 2008. Refer to Note 4 for related receivables	642,003	660,796
To finance leased heavy water and other assets, maturing through 2003, bearing interest rates from 3.5% to 10.125%	78,368	105,898
Loans from third parties		
To finance the purchase of the Port Hawkesbury and Glace Bay heavy water plants at imputed interest rates of 7.375% and 8.875%, maturing in 1985 and 1998	35,711	43,804
Accrued liabilities for employee termination benefits and other	38,725	40,910
	794,807	851,408
Current portion	37,278	32,301
	757,529	819,107

Loan repayments required over the succeeding years are as follows (millions of dollars): 1987—$26.0; 1988—$92.9; 1989—$28.2; 1990—$30.4; and subsequent to 1991—$544.4.

8. Douglas Point shutdown costs

The Douglas Point prototype reactor was shut down in May, 1984, because it had fulfilled its primary objectives as a demonstration prototype under the Corporation's nuclear research and utilization program and its operation was no longer required or viable. The prototype was originally funded by loans from the Government of Canada which were forgiven by parliamentary appropriation in the year ended March 31, 1978, and credited to contributed capital at that time.

A shutdown program to bring the reactor to a safe storage mode, consistent with regulatory requirements, commenced during the year and will be completed next year. The current year costs of $14.3 million have been expensed and transferred to contributed capital, reducing the original credit to a balance of $2.1 million. The next year's costs to complete the shutdown program are currently estimated to be $15 million.

9. Related party transactions

In addition to the transactions disclosed elsewhere in these financial statements, the Corporation had the following transactions with the Government of Canada:

	1985	1984
	(in thousands of dollars)	
Repayment of loans and interest	119,715	65,280
Payments to the Public Service Superannuation Plan	15,651	15,761

In the normal course of business, the Corporation also enters into various transactions with the Government of Canada, its agencies and other Crown corporations.

10. Supplementary information

Incorporation

Pursuant to the authority and powers of the Minister of Energy, Mines and Resources under the Atomic Energy Control Act, the Corporation was incorporated in 1952 under the provisions of the Canada Corporations Act (and continued in 1977 under the provisions of the Canada Business Corporations Act) to develop the utilization of atomic energy for peaceful purposes.

The Corporation is a Crown corporation under the Financial Administration Act and is an agent of Her Majesty. The Corporation is exempt from income taxes.

Operations

The operations of the Corporation are reported in the Statement of Income as commercial operations, research and development operations, and prototype reactor operations.

Commercial operations consist of nuclear power engineering and design, project management, operating plant support services, heavy water production, manufacturing of medical and industrial radiation equipment and radioisotopes, and investments.

Research and development operations consist of basic and applied nuclear research and development, and contract research and development services.

Prototype reactor operations consist of the Gentilly-1 and Douglas Point prototype nuclear stations.

11. Subsequent event

On May 23, 1985, the Government confirmed the closure of the heavy water plants at Glace Bay and Port Hawkesbury. This is consistent with the recommendation first made by the Corporation in 1982. Closure plans and costs are now being finalized. The costs of plant operation and closure will continue to be part of the government-funded nuclear support program.

With adequate inventory on hand to meet the foreseeable demand for heavy water from both the domestic and international markets, the closures will have no adverse impact on the Corporation's ability to service its existing and future CANDU customers.

SUMMARY PAGE

CANADA DEPOSIT INSURANCE CORPORATION

MANDATE

To provide limited insurance in respect of individuals' deposits with federal institutions (banks, trust and loan companies) and approved provincial institutions (trust and loan companies).

BACKGROUND

Established by the *Canada Deposit Insurance Corporation Act* in 1967, the corporation by 1982 accumulated, from premiums received, substantial reserves in its Deposit Insurance Fund but payments to depositors of insolvent financial institutions recently caused this fund to have a net deficit position.

CORPORATION DATA

HEAD OFFICE	1808 - 112 Kent Street P.O. Box 2340, Station D Ottawa, Ontario K1P 5W5
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Michael Wilson, P.C., M.P.
DEPARTMENT	Finance
DATE AND MEANS OF INCORPORATION	The *Canada Deposit Insurance Corporation Act* (R.S.C. 1970, C. C-3, as amended).
CHIEF EXECUTIVE OFFICER	Charles C. de Léry
CHAIRMAN	W.A. Kennett (Acting)*
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	1983	1982	1981
At the end of the year				
Total Assets	1,361	1,157	255	233
Obligations to the private sector	976	805	nil	nil
Obligations to Canada	nil	30	nil	nil
Equity of Canada	nil	nil	nil	nil
Cash from Canada in the year				
— budgetary	nil	nil	nil	nil
— non-budgetary, net	(30)	30	nil	nil

* Ronald McKinlay became Chairman on 85/09/30.

CANADA DEPOSIT INSURANCE CORPORATION

AUDITOR'S REPORT

THE HONOURABLE MICHAEL WILSON, P.C., M.P.
MINISTER OF FINANCE

I have examined the balance sheet of the Canada Deposit Insurance Corporation as at December 31, 1984 and the statements of investment and administrative operations, deposit insurance fund and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied, except for the change in accounting policy as described in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements, have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Deposit Insurance Corporation Act and the by-laws of the Corporation.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
May 23, 1985

BALANCE SHEET
AS AT DECEMBER 31, 1984
(in thousands of dollars)

ASSETS	1984	1983
Cash and treasury bills	79,459	145,424
Investments		21,001
Premiums and other accounts receivable	12,388	10,643
Accrued interest on treasury bills	541	2,043
Mortgages	2,224	9,174
Loans to member institutions (Note 4)	1,064,790	944,625
Claims in respect of insured deposits (Note 5)	200,974	23,514
Furniture, equipment and leasehold improvements	186	81
	1,360,562	1,156,505

LIABILITIES	1984	1983
Bank indebtedness	22,273	
Accounts payable	4,737	726
Income taxes payable	454	1,145
Loans from member institutions	953,910	805,266
Loans from the Consolidated Revenue Fund		30,000
Deferred income taxes	545	1,473
	981,919	838,610
General provision for loss (Note 6)	1,250,000	650,000
	2,231,919	1,488,610
DEPOSIT INSURANCE FUND		
Deficiency at year end	(871,357)	(332,105)
	1,360,562	1,156,505

Approved by the Board:

ROBERT DECOSTER
Chairman

W.E.A. KENNETT
Director

STATEMENT OF INVESTMENT AND ADMINISTRATIVE OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Interest revenue		
Treasury bills	11,352	10,723
Canada bonds	163	3,961
Mortgages	752	1,255
Other	123	401
	12,390	16,340
Expenses		
Inspection and other fees	1,629	1,683
General, administrative and other	1,008	807
Salaries and employee benefits	433	262
	3,070	2,752
Earnings before income taxes	9,320	13,588
Income taxes		
Current	6,709	12,045
Deferred	(928)	(325)
	5,781	11,720
Net earnings from investment and administrative operations	3,539	1,868

STATEMENT OF DEPOSIT INSURANCE FUND FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Deficiency (surplus) beginning of year	332,105	(253,129)
Insurance operations		
Premiums	53,884	51,098
Interest on loans to member institutions	112,451	62,188
	166,335	113,286
General provision for loss (Note 6)	600,000	650,000
Recovery of claim		(440)
Interest on loans from member institutions	109,126	50,828
	709,126	700,388
Gross (loss) from insurance operations	(542,791)	(587,102)
Deficiency before net earnings from investment and administrative operations	874,896	333,973
Net earnings from investment and administrative operations	3,539	1,868
Deficiency end of year	871,357	332,105

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Source of funds		
Operations		
Net earnings from investment and administrative operations	3,539	1,868
Items not affecting funds		
Deferred income taxes	(928)	(325)
Net amortization of premiums and discounts	(77)	(333)
Depreciation and amortization	50	31
	2,584	1,241
Loans from member institutions	148,644	805,266
Interest on loans to member institutions	112,451	62,188
Loans from Consolidated Revenue Fund		140,000
Repayment of loans by member institutions		50,000
Decrease in investments —Canada bonds	20,000	32,350
—Other bonds and debentures	1,006	162
Recoveries of claims in respect of insured deposits	407	1,060
Increase in accounts payable	4,011	225
Increase in income taxes payable		1,125
Premiums for the year	53,884	51,098
Realization of mortgages	7,021	4,397
Bank overdraft	22,273	
Decrease in accrued interest	1,502	
	373,783	1,149,112
Application of funds		
Loans to member institutions	120,165	942,483
Interest on loans from member institutions	109,126	50,828
Repayment of loans from Consolidated Revenue Fund	30,000	110,000
Increase in premiums and other accounts receivable	1,745	9,358
Increase in accrued interest		771
Purchase of furniture, equipment and leasehold improvements	154	78
Payment of claims in respect of insured deposits	177,867	22,783
Decrease in income taxes payable	691	
	439,748	1,136,301
Increase (decrease) in cash and treasury bills	(65,965)	12,811
Cash and treasury bills at beginning of the year	145,424	132,613
Cash and treasury bills at end of the year	79,459	145,424

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984
(Amounts in thousands of dollars unless otherwise stated)

1. Authority and objective

The Corporation was established in 1967 by the Canada Deposit Insurance Corporation Act (the Act). It is a Crown corporation named in Schedule C Part I of the Financial Administration Act.

The Corporation's principal objective is to provide insurance on deposits with member institutions (banks, and federal and provincial trust and loan companies) up to $60,000 per depositor per institution. Under section 11 of the Act, the Corporation may acquire assets from, or advance funds to, member institutions to reduce or avert a threatened loss to the Corporation.

2. Accounting policies (see Note 3)

Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Note 3 sets out a change in an accounting policy which has taken place in the current year.

These financial statements do not reflect the assets, liabilities and operations of member institutions whose operations the Corporation is financing in order to secure an orderly wind down.

The more significant policies adopted are set out below.

Premium recognition

Premiums are based on insured deposits accepted by member institutions as at April 30 of each year and are collectible by December 31 of the year. Premiums are recognized when collectible.

General provision for loss

The general provision for loss reflects the Corporation's best estimate of losses arising in respect of funds advanced to member institutions, of claims against insolvent member institutions for payments made to insured depositors and likely claims and costs resulting from operations up to year end and insolvencies reported subsequently (Note 9).

3. Change in accounting policy

The Corporation has adopted an accounting policy in respect of the general provision for loss as reflected in Note 2 above. Previously the general provision for loss represented only the accumulated deficits of insolvent member institutions as at the financial statement date.

The effect of this change in accounting policy, which has not been applied retroactively, has been to increase the general provision for loss by approximately $460 million (see Note 6).

4. Loans to member institutions

During 1983, certain member institutions experienced financial difficulties and were placed under the control of regulatory authorities. Subsequently, and in accordance with section 11(a) of the CDIC Act, the Corporation entered into agency agreements with other member institutions (agents) to ensure that the respective operations of these troubled companies would be wound down in an orderly fashion over a five-year term. The liabilities and operations of these companies are being financed on a continuing basis by way of direct loans or by the respective agents providing loans on behalf of the Corporation.

As at December 31, 1984, loans made directly or by agents on behalf of the Corporation were as follows:

Member institutions	Direct	By agents	Total
Under agency agreements			
Greymac Mortgage Corporation	55,000	50,250	105,250
Greymac Trust Company	40,434	119,500	159,934
Fidelity Trust Company	38,332	257,774	296,106
Crown Trust Company		297,750	297,750
Seaway Mortgage Corporation		54,500	54,500
District Trust Company		11,026	11,026
	133,766	790,800	924,566
In liquidation			
Amic Mortgage Investment Corporation	2,083		2,083
Seaway Trust Company		137,651	137,651
	135,849	928,451	1,064,300
Accrued interest receivable	490		490
Balance December 31, 1984	136,339	928,451	1,064,790
Balance December 31, 1983	139,359	805,266	944,625

The Corporation has registered a floating charge on all the assets of the above member institutions to secure the loans. During the term of the agreements, the agents are paying all liabilities on maturity and are disposing of the assets in a manner to optimize recovery. The assets of these member institutions consist primarily of mortgages and real estate. The ultimate realization of these assets is dependent on the state of the economy, interest rate levels and the real estate market in general.

During 1984, the Corporation ceased to charge interest on loans advanced directly or by agents to member institutions placed in liquidation. It continues to assess interest on member institutions under agency agreements. Accrued interest is included on the balance sheet as part of Loans to Member Institutions.

5. Claims in respect of insured deposits

When the Corporation pays a depositor's claim it acquires a subrogation of the rights and interest of the depositor as against the assets of the member institution in liquidation. The Corporation's claims in respect of payments to insured depositors of insolvent member institutions are identified below. The date of liquidation appears in brackets.

	Claims paid to date	Recoveries to date	Write offs	Net claim 1984	Net claim 1983
Astra Trust (1980)	21,625	18,086	3,200	339	731
Amic Mortgage Investment (1983)	22,783	15		22,768	22,783
Seaway Trust (1984)	150,062			150,062	
Northguard Mortgage (1984)	27,805			27,805	
	222,275	18,101	3,200	200,974	23,514

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

6. General provision for loss

	1984	1983
Balance, beginning	650,000	
Reported deficits of insolvent members	140,000	650,000
Anticipated future losses of insolvent members	330,000	
Provision for loss resulting from subsequent events (Note 9)	130,000	
	600,000	650,000
Balance, ending	1,250,000	650,000

7. Loans from Consolidated Revenue Fund

With the approval of the Governor in Council, the Corporation can borrow up to $1.5 billion from the Consolidated Revenue Fund. Between year end and May 17, 1985 the Corporation borrowed $325 million from the Consolidated Revenue Fund.

8. Contingent liabilities

The Corporation is a defendant in a number of judicial actions arising out of the collapse or insolvency of various member institutions over the past years. The Corporation does not believe it has any liability as a result of these actions and has therefore not provided for any potential claims.

9. Subsequent events

Subsequent to year end the following member institutions became insolvent and are being liquidated:

Pioneer Trust	February 1985
Western Capital Trust	April 1985
London Loan	April 1985

The Corporation has made payments of claims in respect of insured deposits of approximately $305 million relative to the above insolvent members. As a result, the Corporation has acquired a subrogation of the rights and interest of the depositors as against the assets of these member institutions in liquidation.

Further, the Canadian Commercial Bank was provided with a refinancing loan whereby CDIC participated to the extent of $75 million. No provision for loss has been projected since CDIC expects to be fully reimbursed.

10. Deposit insurance fund deficiency

The Corporation does not believe that its current rate of premium assessments which are the maximum allowed by the Act are sufficient to permit the elimination of the deposit insurance fund deficiency.

11. Income taxes

The Corporation is subject to federal income tax on its investment income less administrative expenses. Neither premiums nor claims in respect of the insurance program are subject to taxation.

12. Insured deposits

Deposits insured by the Corporation, on the basis of returns received from member institutions as at April 30, 1984 and 1983 are as follows:

	1984	1983
	(in billions of dollars)	
Federal institutions	149	142
Provincial institutions	13	12
	162	154

13. Comparative figures

Certain of the 1983 figures have been reclassified so as to conform with the presentation adopted in 1984.

SUMMARY PAGE

CANADA DEVELOPMENT INVESTMENT CORPORATION

MANDATE

To privatize its holdings while gaining a fair return for Canada in the process and, in the interim, to ensure that its subsidiaries are managed in a sound commercial manner.

BACKGROUND

CDIC was incorporated in 1982 to hold and manage enterprises and investments assigned to it by the federal government, and to divest those enterprises and investments when commercially feasible. Investments currently owned by CDIC, or assigned to it for management, include Canadair, de Havilland, Eldorado Nuclear, Teleglobe, Canada Development Corporation and Massey-Ferguson. CDIC also briefly had responsibility for the government's interests in several East Coast fishery companies. On October 30, 1984 the Minister of Regional Industrial Expansion stated that most of the assets owned or administered by this parent Crown corporation would be offered for sale to the private sector.

CORPORATION DATA

HEAD OFFICE	1 First Canadian Place Toronto, Ontario M5X 1A4
STATUS	— Schedule C, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Sinclair Stevens, P.C., Q.C., M.P.
DEPARTMENT	Regional Industrial Expansion
DATE AND MEANS OF INCORPORATION	By Canada Development Corporation under the *Canada Business Corporations Act.*
CHIEF EXECUTIVE OFFICER	Paul M. Marshall
CHAIRMAN	Richard Bonnycastle
AUDITOR	Peat, Marwick, Mitchell and Co. and the Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	12 months to Dec. 31, 1984	**9 months to Dec. 31, 1983 (as restated)**	**10 months to March 31, 1983**
At the end of the period			
Total Assets	679	175	(778)
Obligations to the private sector*	1,299	1,208	nil
Obligations to Canada	nil	negl	negl.
Equity of Canada	(709)	(1,042)	(779)
Cash from Canada to subsidiaries in the period			
— budgetary	550	300	400
— non-budgetary	nil	nil	nil

* Does not include accounts payable and accrued liabilities and payables to related parties. The obligations are largely those of a subsidiary, Canadair Financial Corporation Inc., whose obligations, unlike those of other subsidiaries, are not reflected in the equity value which is reproduced here from the corporation's consolidated financial statements.

CANADA DEVELOPMENT INVESTMENT CORPORATION

AUDITORS' REPORT

THE HONOURABLE SINCLAIR McKNIGHT STEVENS, P.C., M.P.
MINISTER RESPONSIBLE FOR
CANADA DEVELOPMENT INVESTMENT CORPORATION

We have examined the consolidated balance sheet of Canada Development Investment Corporation as at December 31, 1984 and the consolidated statements of income (loss) and accumulated deficit, contributed surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the corporation and of its wholly-owned subsidiaries that have come to our notice during our examination of the consolidated financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, and the charters and by-laws of the corporation and its wholly-owned subsidiaries.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

Toronto, Canada
March 28, 1985

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1984
(in thousands of dollars)

ASSETS	1984	1983 (as restated)
Current assets		
Cash and short-term investments	9,863	8,435
Due from related parties	710	73
	10,573	8,508
Investments	606,067	142,519
Unamortized foreign exchange losses	61,514	24,111
Other	411	337
	678,565	175,475

LIABILITIES AND SHAREHOLDER'S DEFICIENCY	1984	1983 (as restated)
Current liabilities		
Accounts payable and accrued liabilities	14,177	9,029
Payable to related parties	74,551	207
Accrued interest	37,957	38,489
Principal due within one year on long-term debt	13,217	37,332
Bank indebtedness		20,379
Payable to the Government of Canada		500
	139,902	105,936
Long-term debt of Canadair Financial	1,247,540	1,111,954
SHAREHOLDER'S DEFICIENCY		
Capital stock		
Authorized—Unlimited number of common shares		
Issued and fully paid—101 common shares	1	1
Contributed surplus	1,772,007	1,222,007
Accumulated deficit	(2,480,885)	(2,264,423)
	(708,877)	(1,042,415)
	678,565	175,475

The accompanying notes are an integral part of these financial statements.

Commitments and contingencies (Notes 2, 4 and 10)

On behalf of the Board:

PAUL M. MARSHALL
Director

DONALD McQ. SHAVER
Director

CONSOLIDATED STATEMENT OF INCOME (LOSS) AND ACCUMULATED DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	Canadair	de Havilland	Eldorado	CDIC	1984 Total	1983 (restated)
Operating income (loss)	7,338	11,363	65,457	(650)	83,508	(91,013)
Financial expense	1,504	9,878	52,316	185,906	249,604	201,692
Unusual expense items	(285)	41,658	3,119		44,492	262,389
Royalty and tax expense	1,523	204	16,595		18,322	8,639
	4,596	(40,377)	(6,573)	(186,556)	(228,910)	(563,733)
Extraordinary items	1,448		11,000		12,448	
Net income (loss) for the year	6,044	(40,377)	4,427	(186,556)	(216,462)	
Total for the year ended December 31, 1983 (as restated)	(184,516)	(236,474)	9,958	(152,701)		(563,733)
Accumulated deficit, beginning of year					(2,264,423)	(1,700,690)
Accumulated deficit, end of year					(2,480,885)	(2,264,423)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Balance, beginning of year	1,222,007	922,007
Contributed in cash by the Government of Canada to subsidiaries		
Canadair Financial	310,000	240,000
de Havilland	240,000	60,000
Balance, end of year	1,772,007	1,222,007

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983 (as restated)
Sources of Funds		
From corporate operations	(650)	(3,006)
Add item not affecting cash—Depreciation	130	35
	(520)	(2,971)
Contributed surplus (Canadair Financial)	310,000	240,000
Distribution of funds from Eldorado		10,000
Increase (decrease) in accounts payable	5,148	(15,958)
Increase in long-term debt	40,212	84,111
Decrease (increase) in other items, net	1,754	(238)
	356,594	314,944
Uses of Funds		
Interest and financing expenses on debt assumed net of amortization of foreign exchange losses	152,050	136,056
Loan from Government of Canada	500	(500)
Decrease in payable to related parties	80,656	
Decrease (increase) in bank indebtedness	23,507	(15,733)
Deemed contribution to Canadair Limited	98,453	186,686
	355,166	306,509
Increase in cash and short-term investments	1,428	8,435
Cash and short-term investments, beginning of year	8,435	
Cash and short-term investments, end of year	9,863	8,435

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. The corporation

Canada Development Investment Corporation ("the corporation") was incorporated on May 26, 1982 under the provisions of the Canada Business Corporations Act and is wholly-owned by Her Majesty in right of Canada. The corporation is subject to the Financial Administration Act and the Government Companies Operation Act and is an agent of Her Majesty.

2. Basis of presentation

These financial statements, which have been prepared in accordance with generally accepted accounting principles as applicable to a going concern, show that the corporation has a substantial shareholder's deficiency and that there were substantial losses in the year. In addition to the large deficiency, the corporation has, through its subsidiary Canadair Financial Corporation Inc. ("Canadair Financial"), a significant amount of long-term debt (see Note 5). This raises questions as to the corporation's ability to continue as a going concern.

The Government of Canada has the authority to guarantee certain financial arrangements of Canadair Financial with financial institutions to a maximum of $1,350 million. The corporation's forecast cash requirements indicate that, without additional financing arrangements, the total debt for which Canadair Financial expects to need Government guarantees will exceed the authorized limit of $1,350 million in 1985. Additional capital subscriptions or an increase in the guarantee limit, or both, will be necessary to provide Canadair Financial with the working capital required to ensure that the company can continue to liquidate its liabilities as they become due. The Government of Canada has confirmed its intention to increase the equity of Canadair Financial by an amount of $300 million through additional funding authority included in supplementary estimates to be approved by the Parliament of Canada before March 31, 1985.

In a statement dated October 30, 1984, the Minister of the Government of Canada responsible for the corporation announced the intention of the Government to cause the corporation to dispose of its investments in Massey-Ferguson Limited ("Massey-Ferguson"), Canadair Limited ("Canadair"), The de Havilland Aircraft of Canada, Limited ("de Havilland") and Eldorado Nuclear Limited ("Eldorado") in an orderly fashion. The Board of Directors of the corporation is developing an approach to the divestiture of these investments which would meet the requirements of the Government; however, no formal plan to dispose of the investments has been approved by the Government. Any divestiture plan or proposal will require formal approval by the Government pursuant to the requirements of the Financial Administration Act.

As no formal plans of divestiture have been presented for approval, the corporation believes that it is appropriate to continue to carry the investments in Canadair, de Havilland and Eldorado on the equity basis of accounting. Eventual disposal prices may be more or less than these carrying values.

3. Significant accounting policies

(a) Basis of consolidation

The financial statements of Canadair Financial have been consolidated with those of the corporation.

(b) Investments in non-consolidated subsidiaries

Investments in subsidiaries, Canadair, de Havilland and Eldorado are accounted for on the equity basis. A consolidation of the corporation's financial statements and these subsidiaries has not been prepared as the corporation believes that the equity method provides a more informative presentation, to the shareholder. The consolidated financial statements of each non-consolidated subsidiary are attached.

(c) Portfolio investments

The corporation's portfolio investments are accounted for on the cost basis, unless there has been a measurable impairment in value which is other than temporary, in which case the investment is written down to recognize the loss.

(d) Foreign currency translation

Foreign currency assets and liabilities are translated into Canadian dollars in accordance with the temporal method. Under that method, monetary assets and liabilities are translated at the year-end rate, non-monetary assets and liabilities are translated at rates in effect on the dates of the transactions.

Exchange variances resulting from the translation of term bank loans and other long-term debt are deferred and amortized on a straight-line basis over the life of the debt.

The effect of the changes in exchange rates on forward exchange contracts entered into by the corporation is:

(i) included in the determination of net income for the year in which the change occurs, if the life of the contract expires in the current or following fiscal year; or

(ii) amortized over the life of the contract if the life of the contract extends beyond the end of the following fiscal year.

(e) Unamortized discount and expenses on long-term debt

Discount and expenses on long-term debt are amortized on a straight-line basis over the life of the debt and included in interest and other financing expenses.

4. Investments

A financial restructuring of Canadair Limited was completed on March 30, 1984, wherein a new subsidiary corporation was formed with the name "Canadair Limited". Old Canadair changed its name to Canadair Financial Corporation Inc. ("Canadair Financial") and transferred its business assets and current liabilities to the newly-formed Canadair Limited ("Canadair") while retaining its $1.1 billion in debt and accrued interest and deferred charges. As this restructuring did not change the corporation's beneficial interest in the assets, liabilities and operations of Canadair, the restructuring has been accounted for as a "reverse pooling of interests". Accordingly, the financial statements of both Canadair and Canadair Financial have been prepared as if the restructuring had occurred prior to 1983. In addition, the corporation continues to record its investment in Canadair on the equity basis and consolidates Canadair Financial with its own financial statements.

As a result, the opening balance of the investment account in Canadair has been restated as follows:

	(in thousands of dollars)
As previously reported December 31, 1983	(1,254,998)
Balances arising from restructure	
Long-term debt	1,111,954
Current liabilities	104,085
Unamortized foreign exchange loss	(24,111)
As restated	(63,070)

The resulting carrying value of the investments is as follows:

	1984	1983
	(in thousands of dollars)	
(a) Non-consolidated subsidiaries		
Canadair	196,428	(63,070)
de Havilland	21,082	(178,541)
Eldorado	262,208	257,781
	479,718	16,170
(b) Portfolio investment		
Series D Preferred Shares of Massey-Ferguson	126,349	126,349
	606,067	142,519

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Continued*

The corporation believes that there is a possibility that the cost of its investment in Massey-Ferguson, as reflected in these financial statements, exceeds the value of that investment; however, the specific value of this portfolio investment is not reasonably estimable at this time.

The Government of Canada provides authorities and guarantees for the borrowings of Canadair, de Havilland and Eldorado as follows:

	Maximum Authorities	Maximum Guarantees	Utilization as at December 31, 1984
	(in thousands of dollars)		
Canadair			
de Havilland		450,000	54,763
Eldorado	600,000		581,700

In addition to the specific borrowings against authorities and guarantees, as outlined above, Canadair has a mortgage and other debt payable of $16,215 as at December 31, 1984.

5. Long-Term Debt of Canadair Financial

	1984	1983
	(in thousands of dollars)	
Term loan due October 4, 1984 with interest at 9¾% (U.S. $30 million)		37,332
Term loan due August 22, 1985 with interest at 9¾% (U.S. $10 million)	13,217	12,444
Term bank loan due May 7, 1986 with interest at LIBOR plus ½% (U.S. $187.5 million)	247,819	233,325
Term bank loan due December 1, 1986 with interest at LIBOR plus ⅜% (U.S. $75 million)	99,128	93,330
Term notes due March 15, 1987 with interest at 15½%, callable after March 15, 1985 at 101% of principal amount; 100½% after March 15, 1986 (U.S. $150 million)	198,255	186,660
Notes due June 1, 1987 with interest at 16⅜% (U.S. $50 million)	66,085	62,220
Term bank loan due November 11, 1988 with interest at LIBOR plus ⅜% or U.S. prime rate, revolving to November 11, 1986 with payments equal to 25% of the outstanding balance commencing from May 11, 1987 and continuing semi-annually until maturity (U.S. $85 million)	112,345	74,664
Syndicated term loan due March 6, 1989 with interest at LIBOR plus ⅜% or U.S. prime rate to March 12, 1985 and LIBOR plus ½% or U.S. prime rate plus ⅛% thereafter, revolving to March 6, 1987, with payments equal to 25% of the outstanding balance commencing from September 6, 1987 and continuing semi-annually until maturity (U.S. $75 million)	99,128	62,220
Notes due November 15, 1989 with interest at 12½% callable at a maximum of 105% of principal amount (U.S. $175 million)	231,298	217,770
Term loans due March 22, 1992 with interest at prime rate less ¾%, revolving until March 22, 1987, with payments equal to 5% of the outstanding balance commencing from March 22, 1988 and continuing semi-annually with the balance repayable at maturity	63,216	42,444
Term loan due March 22, 1992 with interest at prime rate less ¾%, with payments equal to $5 million commencing form March 22, 1988 and continuing semi-annually with the balance repayable at maturity	100,000	100,000
Discounted note due April 26, 1992 with interest at 8½% with annual installments of U.S. $6 million commencing April 26, 1988 (U.S. $30 million)	39,650	37,332
Less unamortized discount on issuance of long-term debt	(9,384)	(10,455)
Sub-total	1,260,757	1,149,286
Less principal included in current liabilities	(13,217)	(37,332)
	1,247,540	1,111,954

Maturities of long-term debt in the years 1985 to 1989, inclusive, are as follows:

	(in thousands of dollars)
1985	13,217
1986	346,947
1987	345,214
1988	122,984
1989	280,332

6. Interest and other financing expenses—Canadair Financial

	1984	1983
	(in thousands of dollars)	
Interest on long-term debt (including amortization of discount)	146,641	132,821
Interest on other debt	2,713	1,931
Foreign exchange	36,552	14,943
	185,906	149,695

7. Operating income (loss)—CDIC

	1984	1983
	(in thousands of dollars)	
Service fees from subsidiaries	5,862	2,249
Interest earned on short-term investments	694	552
	6,556	2,801
Corporate expenses	7,206	5,807
	(650)	(3,006)

8. Directors' and officers' remuneration

	Directors' Fees	Salaries and Benefits	Other	Total
	(in thousands of dollars)			
Remuneration of Directors				
Number of Directors: 15				
Incurred by the corporation	151			151
Remuneration of Officers(1)				
Incurred by the corporation		1,117	72(2)	1,189
Totals	151	1,117	72	1,340

Note 1 There were eleven persons who served as officers during the year. There were seven officers at year end.

Note 2 The estimated cost to the corporation in 1984 of the benefits proposed to be paid under a registered pension plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

9. Income Tax

As at December 31, 1984, Canadair Financial has tax losses of $1,596 million available to reduce taxable income expiring as follows:

	(in thousands of dollars)
1987	1,108,000
1990	256,000
1991	232,000
	1,596,000

10. Lease commitments

Lease commitments under operating leases for office premises with terms of more than one year total $1,172,000. The aggregate annual minimum lease payments under these arrangements is as follows:

	(in thousands of dollars)
1985	526
1986	499
1987	147
	1,172

During the year certain offices of the corporation were closed. The estimated cost of cancelling these leases is included in the consolidated financial statements.

APPENDIX 1

CANADAIR LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
CANADAIR LIMITED

We have examined the consolidated balance sheet of Canadair Limited as at December 31, 1984 and the consolidated statements of income (loss), retained earnings (deficit) and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the financial restructuring transactions explained in Note 2 to the consolidated financial statements, on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions that have come to our notice in the course of our examination of these consolidated financial statements have been in all significant respects in accordance with the Financial Administration Act and regulations and the charter and by-laws of the Corporation.

THORNE RIDDELL
Chartered Accountants

Montreal, Canada
March 28, 1985

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1984
(in thousands of dollars)

ASSETS	1984	1983 (restated Note 2)
Current assets		
Cash	5,331	5,115
Accounts receivable	34,736	35,248
Receivable from affiliate (Note 2)	74,405	
Contracts and programs in process and inventories less advances and progress billings (Note 5)	183,990	149,838
Prepaid expenses	1,381	2,358
	299,843	192,559
Property, plant and equipment (Note 6)	123,288	120,931
Less: accumulated depreciation	68,573	66,011
	54,715	54,920
Other assets		
Certificates of deposit (Note 4)	38,921	
Term receivable, net of current portion	5,490	5,138
	44,411	5,138
	398,969	252,617

LIABILITIES	1984	1983 (restated Note 2)
Current liabilities		
Accounts payable	75,558	86,166
Accrued liabilities	110,768	212,281
Current portion of long-term debt	1,789	1,542
	188,115	299,989
Long-term debt (Note 7)	14,426	15,698
Contingencies (Note 15)		
SHAREHOLDERS' EQUITY (Note 2)		
Capital stock (Note 8)	179,031	24,030
Retained earnings (deficit)	17,397	(87,100)
	196,428	(63,070)
	398,969	252,617

Approved on behalf of the Board:

GUY J. DESMARAIS
Director

GILBERT S. BENNETT
Director

APPENDIX 1—*Continued*

CANADAIR LIMITED—*Continued*

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983 (restated Note 2)
Sales	376,443	387,136
Cost of sales	309,294	364,612
Gross margin	67,149	22,524
Operating expenses		
Research and development (Note 11)	10,821	33,120
Selling and general and administrative	48,990	77,292
Interest on long-term debt	1,504	1,508
	61,315	111,920
Income (loss) before unusual items, income taxes and extraordinary item	5,834	(89,396)
Unusual items (Note 12)	285	(95,042)
Income (loss) before income taxes and extraordinary item	6,119	(184,438)
Income taxes	1,523	78
Income (loss) before extraordinary item	4,596	(184,516)
Extraordinary item		
Reduction of income taxes arising from the utilization of prior years' unclaimed tax deductions	1,448	
Net income (loss)	6,044	(184,516)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)
YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983 (restated Note 2)
Deficit at beginning of year	(87,100)	(89,270)
Deemed contributed surplus (Note 2)	98,453	186,686
Income (loss) for the period	6,044	(184,516)
Retained earnings (deficit) at end of year	17,397	(87,100)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983 (restated Note 2)
Source of funds		
From operations		
Income (loss) before extraordinary item	4,596	(184,516)
Adjustments for non-cash items		
Depreciation	5,374	5,963
Deferred income taxes	1,448	
Total from operations	11,418	(178,553)
Issue of shares for cash	155,001	
Decrease in accounts receivable from affiliate—Cash payments	80,595	
Deemed contribution from affiliate (Note 2)	98,453	186,686
Decrease in accounts receivable	512	7,797
Decrease in prepaid expenses	977	2,682
Total sources	346,956	18,612
Uses of funds		
Certificates of deposit (Note 4)	38,921	
Loan to affiliate (Note 2)	155,000	
Additions to equipment, net	5,169	2,704
Decrease (increase) in accounts payable and accrued liabilities, net	112,121	(425)
Increase in contracts and programs in process and inventories, net	34,152	22,187
Increase in other assets	352	9
Decrease (increase) in debt	1,025	(5,481)
Total uses	346,740	18,994
Increase (decrease) in cash	216	(382)
Cash at beginning of year	5,115	5,497
Cash at end of year	5,331	5,115

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1984

1. Summary of significant accounting policies

Basis of presentation and consolidation

The financial statements give effect to a financial restructuring which was completed on March 30, 1984 (Note 2).

The consolidated balance sheet and consolidated statements of income, retained earnings (deficit) and changes in financial position include the assets and liabilities, results of operations and changes in financial position of the Company's wholly-owned subsidiaries, Canadair Services Limited, Canadair Challenger Inc. and Challenger Aviation Service GmbH.

Accounting for long-term contracts and programs

In accordance with industry practice, work in process under long-term government contracts and commercial contracts and programs is classified as a current asset on the balance sheet even though a portion is not expected to be realized within one year.

Government contracts are accounted for primarily using the percentage-of-completion method whereby sales are recorded as costs are incurred or as units are delivered and include that proportion of estimated earnings at contract completion that costs incurred to date bear to estimated costs at contract completion. Work in process includes direct costs incurred, factory overhead, general and administrative expenses, plus estimated earnings on such costs, less advances and progress billings. Earnings are included in income only when sufficient production has been

accomplished to permit estimation of total contract earnings with a minimum of risk. At such time, earnings are recorded based on the work completed to date. Estimated losses are charged to income as soon as they are identified.

Commercial contracts and programs are accounted for primarily under the program method of accounting and are stated at actual production costs incurred, including factory overhead, and, except for the Challenger program (Note 3), development, tooling and general and administrative expenses, less advances and progress billings. Sales and earnings are recognized as units are delivered. The cost of delivered units is calculated at the actual selling price less the gross margin, which is estimated for the program using a conservative program quantity for accounting purposes. Program assessments are performed periodically to determine the estimated gross margin percentage. Should a negative gross margin be forecast, the work in process is written down to estimated net realizable value.

Estimated earnings or losses on government contracts and commercial contracts and programs are determined from projected revenues and manufacturing costs taking into account factors such as expected sales, price levels, production costs and other variables which may be beyond the Company's control. Because these factors cannot be measured with precision, the estimates are subject to periodic revisions. Earnings and losses recorded in the current year may include the cumulative effects of revisions to prior years' estimates.

Title to work performed under certain contracts in process and to related inventories is vested in the customer in accordance with contract provisions.

Inventories

Inventories of commercial products, materials and spare parts are stated at the lower of average cost or estimated net realizable value.

Research and Development Costs

Research and development costs recoverable pursuant to contracts are included in work in process. Product development costs directly related to company-sponsored production programs are currently charged to income.

Foreign currency translation

Foreign currency assets and liabilities, including those of foreign subsidiaries, Canadair Challenger Inc. and Challenger Aviation Service GmbH, are translated into Canadian dollars in accordance with the temporal method. Under that method, monetary assets and liabilities are translated at the year-end rate and non-monetary assets, liabilities, revenue and expenses are translated at the effective rate at the time of the transaction.

Property, plant and equipment

Buildings, machinery and equipment are stated at cost. Land is stated at the 1974 appraised value net of disposals.

Depreciation is provided principally on a declining balance basis. The depreciation rates for buildings vary from 4% to 10% and the rates for machinery and equipment vary from 20% to 30%. The depreciation of certain machinery is based on usage over the estimated life of the machinery.

Pension costs

Current service costs under Company pension plans are charged to costs incurred as they accrue and are funded as necessary following the most recent actuarial review of the plans. Past service costs are changed to costs incurred over varying periods as they are funded.

2. Financial restructuring

A financial restructuring of the Company was completed on March 30, 1984. In essence, the restructuring separated the Company's active business assets and liabilities from the government-guaranteed debt.

The mechanics of the restructuring were as follows:

(a) Canada Development Investment Corporation (the Company's parent company) formed the Company as a new subsidiary corporation with the name "Canadair Limited";

(b) the former Canadair corporation changed its name to Canadair Financial Corporation Inc. ("Canadair Financial");

(c) the Government of Canada made an equity contribution of \$310 million to Canadair Financial; Canadair Financial made an equity investment of \$155 million in the Company; the Company loaned the \$155 million (interest-free and repayable on demand) to Canadair Financial to permit Canadair Financial to reduce temporarily its outstanding indebtedness; and

(d) the Company acquired the active business assets and liabilities of Canadair Financial, leaving Canadair Financial with \$1.1 billion in debt and accrued interest and related deferred charges.

The restructuring left the Company with a long-term debt of \$15.5 million and provided shareholders' equity of \$179 million.

The restructuring of the Company has been accounted for as a "reverse pooling of interests", whereby, amongst other things, the business assets and liabilities acquired by the Company continue to be recorded at their previous book values. The following analysis is a summary of the balance sheets of the Company and Canadair Financial at March 30, 1984 resulting from the allocation of the assets and liabilities:

	Prior to Restructuring	Restructuring	Canadair Financial	Company
	(in thousands of dollars)			
	Unaudited			
Current assets	219.1			219.1
Receivable from Canadair Financial		155.0		155.0
Investment in the Company		179.0	179.0	
Fixed assets	55.2			55.2
Other assets	55.3		50.0	5.3
Total assets	329.6	334.0	229.0	434.6
Current liabilities	240.1			240.1
Payable to the Company		155.0	155.0	
Current debt and accrued interest	90.8		90.8	
Long-term debt	999.7		984.2	15.5
Total liabilities	1,330.6	155.0	1,230.0	255.6
Shareholders' equity (Deficit)	(1,001.0)	179.0	(1,001.0)	179.0
Total liabilities and shareholders' equity	329.6	334.0	229.0	434.6

Under the reverse pooling of interests accounting presentation of the restructuring, the Company's financial statements reflect the financial results of the business which was transferred to it on

APPENDIX 1—*Continued*

CANADAIR LIMITED—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1984—*Continued*

March 30, 1984, as if the Company had acquired that business prior to 1983. Comparative numbers for 1983 have been restated as if the Company's net cash requirements had been funded by deemed contributions of capital from Canadair Financial. Accordingly, the deficit at December 31, 1983 of $87.1 million ($89.3 million at December 31, 1982) represents the excess of the Company's losses over contributed surplus deemed to have been received.

The capital stock of the Company ($179 million) represents the value of the net assets acquired at March 30, 1984 ($24 million) plus the amount of the equity investment in the Company made by Canadair Financial on that date ($155 million).

For income tax purposes, the depreciable assets were transferred to the Company at their undepreciated capital cost. The tax loss carried forward as at December 31, 1983 of $1,391 million is not available to the Company to reduce future taxable income.

3. Challenger program

The Company follows the program method of accounting (Note 1) for the Challenger 601 program, based on a program accounting quantity of 62 aircraft, the cumulative number of aircraft currently committed to production. In order to support the present production schedule for 1987 and subsequent years, the Company has entered into commitments aggregating $208 million with suppliers for the purchase of certain long lead items for use in building Challenger 601 aircraft beyond the present program accounting quantity of 62 aircraft. Subsequent to the financial restructuring (Note 2), a conservative rate of gross margin has been recorded on the aircraft delivered. The Company is currently producing Challenger 601 aircraft at the rate of approximately 15 per year.

Pursuant to a program assessment made as of December 1982, all non-recurring program costs were written off and, accordingly, the current inventoried costs do not include any amounts of development, tooling and excess early learning or other deferred costs. All Challenger product improvement, product support, marketing and general and administrative costs are expensed as incurred. Aircraft in finished goods inventory are valued at the lower of cost or estimated net realizable value.

At December 31, 1984, a total of 120 aircraft had been produced under the Challenger program, made up of 85 Challenger 600 and 35 Challenger 601 aircraft.

4. Certificates of deposit

Pursuant to a contract for the sale of CL-601 aircraft, the Company received from a customer advance payments of $38.9 million in December 1984 and $47.8 million in January 1985. The advance payments have been invested in certificates of deposit, which certificates have been assigned by the Company to a financial institution as security for an advance payment guarantee provided to the customer by the financial institution as required under the contract. The certificates will be released to the Company as outfitted aircraft are delivered to the customer commencing in January 1986.

5. Contracts and programs in process and inventories

Contracts and programs in process and inventories at December 31 consisted of:

	1984	1983
	(in thousands of dollars)	
Challenger Program		
Finished goods including aircraft, less advances of nil (1983—$15.9 million)	83,470	69,584
Work in process, materials, parts and supplies less advances of $41.6 million (1983—$56.9 million)	58,514	33,372
	141,984	102,956
Other Commercial Programs, Contracts and Products		
Finished goods including aircraft	14,125	19,729
Work in process, materials, parts and supplies less advances and progress billings of $42.9 million (1983—$6.2 million)	17,311	19,445
	31,436	39,174
Government Contracts		
Work in process	10,570	7,708
	183,990	149,838

6. Property, plant and equipment

Property, plant and equipment at December 31 consisted of:

	1984			1983
	Assets	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Buildings	44,599	20,223	24,376	25,039
Machinery and equipment				
Owned	59,372	43,608	15,764	13,431
Capital leases	7,249	4,742	2,507	4,382
	111,220	68,573	42,647	42,852
Land, at 1974 appraised value, net of disposals	12,068		12,068	12,068
	123,288	68,573	54,715	54,920

7. Long-term debt

Long-term debt at December 31 consisted of:

	1984	1983
	(in thousands of dollars)	
Mortgage loan due January 1, 1994, with interest at 7⅛% to January 1, 1989 and 7¼% thereafter with semi-annual payments commencing January 1, 1987 (U.S. $6 million)	7,930	7,466
Defence Industry Productivity Program funding	1,733	2,063
Obligations under capital lease due February 28, 1989 with interest at 13¼%	5,338	6,108
Obligations under capital lease expiring through 1987 with interest varying from 9 1/10% to 19 1/50%	1,214	1,603
Total long-term debt	16,215	17,240
Less principal included in current liabilities	(1,789)	(1,542)
	14,426	15,698

APPENDIX 1—*Continued*

CANADAIR LIMITED—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1984—*Continued*

Estimated repayments in future years are as follows:

	Capital leases	Other long-term debt
	(in thousands of dollars)	
1985	2,263	307
1986	2,231	285
1987	1,931	1,078
1988	1,669	1,078
1989	302	1,276
Subsequent years		5,639
	8,396	9,663
Interest on capital leases	(1,844)	
	6,552	9,663

8. Capital stock

The authorized capital stock of the Company consists of an unlimited number of common shares and an unlimited number of non-voting, redeemable, preferred shares with a non-cumulative dividend entitlement of 8% of their paid-up value.

On March 30, 1984, the date of the financial restructuring, the Company issued 10 million common shares for a cash consideration of $1 thousand, 155,000 preferred shares for a cash consideration of $155 million and 24,030 preferred shares in consideration for the net assets transferred to the Company (Note 2).

9. Sales by class of business

Substantially all of the Company's operations are in the aerospace industry. Sales were distributed as follows:

	1984	1983
	(in thousands of dollars)	
Aircraft	354,768	370,091
Surveillance systems	17,375	12,595
Other	4,300	4,450
	376,443	387,136

The company had export sales in 1984 of $313.5 million (1983—$343 million).

10. Related party transactions

The Company is a wholly-owned subsidiary of Canada Development Investment Corporation, a Crown corporation, and is dependent on the Government of Canada for its financing requirements.

Sales to the Government (including entities controlled by the Government) amounted to $47.6 million in 1984 (1983—$18.3 million). Amounts due from and owing to the Government at December 31, 1984 were $4.4 million and $2.9 million, respectively (1983—$2.5 million and $26.2 million, respectively). Related party sales during the year were made on the same terms and conditions as similar sales to unrelated parties. In 1983 the Government of Canada ordered 17 CL-215 aircraft. Progress payments against that order in 1984 amounted to $34 million.

Interest in the amount of $2.6 million on deferred suppliers' claims which were provided for prior to restructuring (Note 2) has been recovered from Canadair Financial.

A management fee of $3.2 million was paid to Canada Development Investment Corporation in 1984 (1983—$1.2 million).

11. Research and development expenses

Research and development expenses during the year were:

	1984	1983
	(in thousands of dollars)	
Company-funded research and development	23,226	33,120
Less: scientific research tax credit	(12,405)	
Net research and development	10,821	33,120

On February 14, 1984, the Company transferred to a third party a scientific research tax credit of $12.5 million arising from qualified expenditures on scientific research conducted during the period from April 20, 1983 to December 31, 1984. The net proceeds from the transfer of $12.4 million have been deducted from research and development expenses during 1984. In making the transfer, the Company waived the right to deduct $25 million of scientific research expenditures for income tax purposes ($12.4 million in 1984 and $12.6 million in 1983).

12. Unusual items

An amount of $285 thousand has been credited to unusual items in 1984. That amount comprises adjustments of $11.1 million to provisions made in prior years, offset by credits of $11.4 million from other provisions, including the reversal of an accrued amount of interest no longer required.

13. Income taxes

As at December 31, 1984, the tax values of depreciable assets exceeded corresponding net book values by approximately $110 million. In addition, the Company has unclaimed expenses of $11 million deductible in determining the taxable income of future years. The potential future tax benefits from these items have not been recognized in the financial statements.

14. Lease commitments

Future lease commitments under operating leases with terms of more than one year are as follows:

	(in thousands of dollars)
1985	5,970
1986	1,913
1987	1,164
1988	653
1989	630
Subsequent years	15,007
	25,337

Certain of the lease commitments have been provided for in accrued liabilities as at December 31, 1984.

15. Contingencies

Litigation

On May 30, 1983, the Company filed suit in the Province of Quebec against Avco Corporation of Greenwich, Connecticut, U.S.A. for damages in the amount of $109.6 million. The Company's suit alleges a failure by Avco to fulfill contract obligations involving the development, manufacturing and delivery of engines for the Challenger 600 aircraft. On August 3, 1983, Avco filed suit against the Company in the State of Connecticut claiming U.S. $100 million on the basis of the Company's alleged unilateral

termination of the Challenger 600 engine contract, non-payment of monies owed and damages to Avco's reputation. In addition, Avco claimed unspecified punitive damages. On December 21, 1983, the Company amended its action against Avco, increasing the damages claimed to $480 million.

In May 1984, the owners of two Challenger 600 aircraft commenced legal action in the Province of Quebec against the Company, Avco Corporation and Export Development Corporation. In the action, the aircraft owners allege aircraft performance defiencies and seek (i) to cancel the agreements under which the owners purchased their Challenger aircraft from Canadair, (ii) to cancel the contracts under which Export Development Corporation financed the owners' purchase of their Challenger aircraft, and (iii) to recover $27 million, representing in aggregate the price of the two Challenger aircraft, interest and financing charges, loss of certain transferable tax benefits and other alleged damages. The Company is actively defending the suit.

In July 1984, the owner of a Challenger CL-600 aircraft filed suit against the Company in the Province of Quebec claiming damages totalling $17.2 million. The aircraft owner alleges that his aircraft fails to meet a special performance guarantee. The Company is actively defending the suit.

Any amounts payable or receivable as a result of judgment or settlement of the above actions will be recorded in the year of judgment or settlement.

Conditional repurchase agreements

In certain specified circumstances or on the happening of certain specified events, owners of a total of eight Challenger aircraft have the right to require the Company to repurchase their aircraft. Management considers it to be unlikely that the specified circumstances or specified events will materialize.

Provisions for claims

Reductions in the production rate of the Challenger program resulted in reduced requirements for parts and materials. Suppliers of some of those parts and materials have submitted claims for recovery of increased costs attributable to reduced rates of production and delivery. The Company has made provision for all such claims; however, because of the complexity of negotiations and the many variables involved, the Company's liability with respect to such suppliers' claims cannot be quantified with precision. The ultimate settlement with the suppliers could be greater or less than the amount provided, and accordingly, adjustments to the provision may be required.

The company has accrued for all other known liabilities, using estimates where applicable.

Repayment of government assistance

The Company is contingently liable to repay $40.3 million of government assistance (1983—$40.2 million), based on revenues or profits from future sales. All repayments will be charged to cost of sales in the year the revenues or profits are recorded.

16. Government assistance

In 1984, assistance from the Government of Canada under established Government programs to finance production programs, development programs and equipment acquisitions amounted to $4 million (1983—$6.2 million). The amount of the assistance has been accounted for as follows:

	1984	1983
	(in thousands of dollars)	
Production Programs		
Credited to program cost or to sales	3,964	4,651
Development Programs		
Credited to sales		1,239
Equipment Acquisitions		
Reduction in equipment costs		330
	3,964	6,220

Repayment of government assistance under certain contracts is included in long-term debt (Note 7); other assistance is contingently repayable from future program sales (Note 15).

17. Remuneration of sales and technical representatives

During the year, remuneration and expenses paid to the following sales and technical representatives in connection with foreign sales, including payments made for operational services, aggregated $1.9 million (1983—$2.1 million):

M. Augustin, France; Avionic, Greece; Compagnia Importazioni Exportazioni Rappresentage, Italy; Dismatica Industrial CA, Venezuela; Estudios Tecnologicos S.L., Spain; Executive Airfleet Inc., U.S.A.; S. Kittivat R.O.P., Thailand; The Commonwealth Group Inc., U.S.A.; T. Shahabuddin, Malaysia.

18. Directors' and officers' remuneration

The following table shows the remuneration paid by the Company during 1984 to the directors and to the officers:

	Nature of Remuneration Earned		
	Directors Fees	Salaries and Benefits	Total
	(in thousands of dollars)		
Remuneration of 18 present and former directors	104.3		104.3
Remuneration of 14 officers		1,720.5	1,720.5
	104.3	1,720.5	1,824.8

The President is paid by Canada Development Investment Corporation and receives no remuneration from the Company.

The salaried employees of the Company may contribute, on an optional basis, to the Employee's Savings & Investment Plan. The Company also contributes to the Plan a certain percentage of the employees' contributions, which amounts become vested after a period of three years. Amounts contributed by the Company during the year for the fourteen officers aggregated $89.7 thousand.

APPENDIX 1—*Concluded*

CANADAIR LIMITED—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1984—*Concluded*

19. Pension plans

The Company's pension plans cover most employees. Pension costs incurred in 1984 and 1983, including the funding of liabilities resulting from the most recent plan amendments and actuarial reviews, did not exceed the accumulated surpluses of the plans; consequently, no contribution was required by the Company in 1984 or 1983.

20. Subsequent event

On March 28, 1985, the Government of Canada and the Company entered into an agreement pursuant to which the Government will purchase from the Company 8 Challenger 600 and 4 Challenger 601 aircraft.

Summary of financial results for the last five years

	1984	1983	1982	1981	1980
	(in thousands of dollars)				
For the Year					
Export sales	313,394	342,796	371,398	233,693	93,036
Domestic sales	63,049	44,340	57,981	51,969	23,176
Total sales	376,443	387,136	429,379	285,662	116,212
Net profit (loss)	6,044	(184,516)	(1,011,852)	3,035	3,532
At End of Year					
Fixed assets	54,715	54,920	58,179	55,801	54,720
Long-term debt	14,426	15,698	10,258	10,670	11,411
Number of employees	4,570	4,315	5,534	6,959	6,596

Where appropriate, results for the years prior to 1984 have been restated as if the restructuring described in Note 2 to the 1984 financial statements had occurred prior to 1980.

APPENDIX 2

THE DE HAVILLAND AIRCRAFT OF CANADA, LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
THE DE HAVILLAND AIRCRAFT OF CANADA, LIMITED

We have examined the consolidated balance sheet of The de Havilland Aircraft of Canada, Limited as at December 31, 1984, and the consolidated statements of loss and deficit and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1984, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

We further report that, in our opinion, the transactions of the corporation which have come to our notice were in accordance with the Financial Administration Act, the regulations, the charter, and the by-laws of the corporation and any directive given to the corporation.

DELOITTE HASKINS & SELLS
Auditors

Toronto, Canada
February 11, 1985

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1984
(in thousands of dollars)

ASSETS	1984	1983
Current assets		
Cash and short-term deposits (Note 4)	21,150	950
Accounts receivable (Note 5)	15,175	13,485
Notes receivable	237	130
Inventories (Note 6)	144,990	183,669
Prepaid expenses	220	1,435
	181,772	199,669
Property, plant and equipment (Note 7)	44,758	52,105
	226,530	251,774

LIABILITIES	1984	1983
Current liabilities		
Bank indebtedness	430	311
Accounts payable	26,053	12,481
Accrued charges and provisions	108,629	113,319
Deposits on sales contracts	15,981	18,289
	151,093	144,400
Long-term debt (Note 8)	54,333	285,890
Deferred income taxes	22	25
	205,448	430,315
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 9)		
Authorized (unlimited number)		
Class A shares without par value		
Class B common shares without par value		
Issued		
32,000 Class A shares and 10,000 Class B common shares	306	306
Contributed surplus (Note 10)	500,000	260,000
Deficit	(479,224)	(438,847)
	21,082	(178,541)
	226,530	251,774

Contingencies (Notes 2 and 16)

Approved by the Board:

W. B. BOGGS
Director

PIERRE GENEST
Director

APPENDIX 2—*Continued*

THE DE HAVILLAND AIRCRAFT OF CANADA, LIMITED—*Continued*

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Sales	204,001	121,737
Expenses		
Cost of products and services	158,164	121,876
Selling and general administration	30,555	35,543
Sustaining development and research	3,919	3,752
	192,638	161,171
Income (loss) from operations	11,363	(39,434)
Dash 8 development and excess production costs (Note 3)	78,075	87,347
Interest on long-term debt	9,878	29,551
Inventory provision		80,000
Net loss before scientific research tax credit transfer and income taxes	(76,590)	(236,332)
Scientific research tax credit transfer (Note 13)	36,417	
Net loss before income taxes	(40,173)	(236,332)
Income taxes	204	142
Net loss	(40,377)	(236,474)
Deficit at beginning of period	(438,847)	(202,373)
Deficit at end of period	(479,224)	(438,847)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (NOTE 1) FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Source of Funds		
Decrease in Prepaids	1,215	2,162
Decrease in Inventories	38,679	20,856
Increase (decrease) in Accounts Payable, Accrued Charges and Provisions	8,879	(6,629)
Increase in Contributed Surplus (Note 10)	240,000	60,000
Increase in Long-Term Debt (Note 8)	39,000	75,568
	327,773	151,957
Uses of Funds		
In operations		
Net Loss	40,377	236,474
Adjustments for non-cash items		
Depreciation	(4,389)	(4,617)
Building written off (Note 7)	(3,825)	
Inventory provision		(80,000)
	32,163	151,857
Increase (decrease) in Notes Receivable	107	(2,177)
Increase in Accounts Receivable	1,690	232
Additions to Property and Equipment	867	2,340
Decrease (increase) in Customer Deposits	2,308	(853)
Repayment of Long-term debt	270,557	
	307,692	151,399
Net Increase in Funds	20,081	558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1984
(All dollar amounts other than share data are stated in thousands)

1. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and reflect the following significant policies:

Basis of Financial Statement Presentation and Consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, De Havilland Canada, Inc. The statement of Changes in Financial Position defines funds as cash and short-term deposits less short-term bank loans.

Nature of Business

The company is primarily engaged in the business of development, manufacture, and sale of aircraft and spare parts.

Inventories

Inventories are stated as follows

Raw materials—At the lower of average cost and net realizable value.

Work in progress, finished aircraft, spare parts, goods in transit, and sub-contract progress payments—At the lower of cost and net realizable value.

All inventories, net of customer progress payments, and including that portion not expected to be realized within one year, are included in current assets.

Program Accounting

With respect to new programs, the cost of each aircraft sale and inventories of work in progress and finished aircraft is determined using the program average production cost method. The cost of sale for a particular aircraft delivered is computed at the percentage of the published selling price that the total of the estimated production costs for the entire aircraft program bears to the total estimated sales prices for the total program. This same method is used in establishing costs for inventory purposes for completed aircraft and those in process of manufacture.

Production costs incurred early in a program, which are greater than the estimated program average production costs, are transferred to deferred charges. These deferred charges, together with deferred development and tooling costs, are amortized over the estimated breakeven number of aircraft. (See Note 3).

Such deferred charges are periodically reviewed throughout the life of the respective programs and adjusted to estimated net realizable value if necessary.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. When the cost of an individual asset exceeds $1,000, interest is capitalized at the cost of corporate borrowings on deposits or progress payments made during the period of construction or purchase. Depreciation is provided for on a straight-line basis so as to amortize the cost of depreciable assets over their estimated useful lives.

Revenue Recognition

(a) Revenue from aircraft sales is recorded upon acceptance and payment in full for the aircraft by the customer.

(b) The company undertakes some research and development under contract which provides for the company to bill the customers as costs are incurred; such amounts are recorded as sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Continued*

Translation of Foreign Currencies

Foreign currencies are translated into Canadian dollars as follows:

(a) Monetary assets and monetary liabilities—At the rate of exchange prevailing at the balance sheet date.

(b) Other assets and liabilities, sales and expenses—At a rate approximating the rate of exchange prevailing on the dates of the transactions.

Pensions

The company has a number of retirement plans covering substantially all of its employees. Costs of these plans are charged to earnings and funded on the basis of actuarial calculations made every three years.

Current service costs are charged to earnings on a current basis. Past service costs are being funded and charged to earnings over periods up to 13 years from the dates such costs were established.

2. Government Guarantees and Financing Arrangements

On March 29, 1984, the Government of Canada contributed $240,000 to the company's equity account while retaining the authority to guarantee certain financial arrangments of the company with financial institutions to a maximum of $450,000. The Board of Directors of the company believes that the Dash 8 program is critical to de Havilland and expects direct or indirect government support will be provided in order to continue that program. In view of the equity contribution and the expectation that further support will be provided by Government, these financial statements have been prepared on the basis that the company will continue as a going concern.

3. Deferred Charges

Certain costs applicable to the Dash 8 are deferrable depending upon long-term forecasts of sales and costs in which assumptions are made as to expected sales volumes, prices and production costs, and taking into account such factors as interest rates and exchange rates. Many of the components of these forecasts are beyond the company's control and hence cannot be quantified with sufficient precision to project reasonably the long-term position of the Dash 8 program. Accordingly, all deferrable charges incurred in the year ended December 31, 1984 amounting to $78,075 (1983—$87,347) have been expensed.

4. Cash and Short-Term Deposits

Included in cash and short-term deposits are deposits in the amount of $485 (1983—$875) which are assigned as security for amounts owing to a commercial bank by the company's customers and prospective customers.

5. Accounts Receivable

	1984	1983
Trade	11,615	12,743
Interest on notes receivable	45	98
Interest on short-term deposits	9	9
Other	3,506	635
	15,175	13,485

6. Inventories

	1984	1983
Raw materials	21,414	45,806
Work in progress	91,097	66,911
Finished aircraft	39,579	58,180
Spare parts	16,932	21,800
Goods in transit	11,854	1,905
Sub-contract progress payments	11,099	2,573
	191,975	197,175
Customer progress payments	(46,985)	(13,506)
	144,990	183,669

7. Property, Plant and Equipment

	Cost	Accumulated Depreciation	Net Book Value	Depreciation Rates
Land	10		10	
Buildings	44,039	12,327	31,712	4%
Property Improvements	3,085	922	2,163	4%
Machinery and Equipment	28,943	18,192	10,751	12 ½%-20%
Transportation Equipment	1,127	1,005	122	25%
	77,204	32,446	44,758	

Included in Cost of Products and Services for the year is a write-off due to idle capacity of $3,825 for a partially completed building.

8. Long-Term Debt

On June 28, 1984, the company exercised a right to re-borrow $72,000 pursuant to a term loan agreement which is guaranteed by the Government of Canada of which $39,000 has been utilized. Other borrowings under extendable revolving term loans guaranteed by the Government of Canada amount to $9,251. The borrowings bear interest at rates which fluctuate with bank prime and money market rates that approximated 11% at December 31, 1984. The balance of $6,082 represents a U.S. denominated loan in the amount of U.S. $4,602 bearing interest at a rate of 8 ½% per annum.

9. Share Capital

Each Class A share is equivalent to each Class B common share in all respects, except that each Class A share is entitled to a non-cumulative preferential dividend of $2 in any year in which dividends are paid on Class B shares. After payment of such dividends, both classes of shares participate fully in other dividends.

10. Contributed Surplus

On March 29, 1984, the Government of Canada contributed $240,000 to the company.

11. Export Sales

Sales to foreign customers amounted to $188,879 in 1984 and $107,656 in 1983.

APPENDIX 2—*Continued*

THE DE HAVILLAND AIRCRAFT OF CANADA, LIMITED—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Continued*

12. Income Taxes

At December 31, 1984, losses carried forward for tax purposes aggregating $197,905 are available for the reduction of future years' taxable income. These losses expire as follows:

1985	22,711
1986	11,758
1987	55,501
1990	67,005
1991	40,930
	197,905

In addition, the company has recorded depreciation in excess of capital cost allowance claimed for tax purposes of approximately $97,013, and has deferred research and development expenses of approximately $124,310. These amounts are also available for reduction of future years' taxable income.

No recognition has been given in these financial statements to the potential tax savings which could result from the utilization of the above items.

13. Scientific Research Tax Credits

On February 28, 1984, the company transferred to third parties scientific research tax credits relating to the period April 21, 1983 to December 31, 1984. This has resulted in net proceeds to the company of $36,417 of which $19,685 relates to 1984 and the balance to 1983.

14. Pension Plan

Based on an actuarial valuation as at December 31, 1983, the estimated present value of the unfunded past service costs not charged to earnings at December 31, 1984 amounts to $6,912 of which $1,196 was vested.

15. Commitments

(a) Lease Commitments

Lease commitments under operating leases with terms of more than one year total $5,679 and are payable as follows:

1985	1,592
1986	1,220
1987	971
1988	948
1989	948
	5,679

(b) Capital Commitments

Capital expenditures committed but not expended as at December 31, 1984, amount to approximately $421 (1983—$418).

(c) Purchase Commitments

The nature of the company's business requires that it make substantial purchase commitments in anticipation of production and sales of aircraft. At December 31, 1984, such commitments amounted to approximately $420,000 (1983—$245,000).

Under an agreement for purchase and repurchase, the company has sold engines to a financial institution at cost with an obligation to repurchase the engines in the future. The company is charged interest at bank prime on the total commitment.

	1984	1983
Repurchase commitment	9,662	11,059
Interest expense	1,228	1,276

16. Contingencies

(a) As indicated in Note 3, the ultimate results of the Dash 8 program cannot be determined at this time. If future program assessments indicate that a future loss on the overall program will arise, a provision will be made at that time.

(b) Some suppliers with whom the company has purchase commitments have filed claims for costs resulting from revised production schedules. The company has made provision for costs which may be incurred in settling these claims. However, because of the complexity of negotiations and the many variables involved, some of which depend on future events, any liability with respect to such suppliers' claims cannot be quantified with precision.

(c) Contingent liabilities arising primarily from sales related guarantee arrangements and conditional repurchase agreements amount to $71,000. The company has recourse to transaction related assets for substantially all of these contingent liabilities.

(d) The total amount of current and past government participation which is contingently repayable amounts to $106,548 (1983—$107,320). At December 31, 1984 no provisions have been made in the accounts for this contingency as repayment is dependent on future profits, sales or profitability of various programs and future reinvestment in company research and development programs.

(e) A customer may be in a position to justify a claim against the company arising from a representation, which may have been inaccurate, contained in an aircraft sales contract consummated in a prior period. No provision has been made for such a potential claim since legal counsel has advised that an accurate estimate cannot be made of the amount, if any, which the customer might successfully claim, but that the potential liability is up to $12,625 and, in the event of litigation, any additional award which might be permitted in the discretion of the court. Any amount ultimately paid by the company would be treated as a prior period adjustment. Information relevant to this matter was improperly withheld from the company, and, if that information had been available, the disclosure set out above would have appeared in the financial statements for the periods ended May 31, 1982 and December 31, 1982.

17. Related Party Transactions

The Canada Development Investment Corporation (a Crown corporation) owns all, except one, of the company's outstanding shares. During the year ended December 31, 1984, sales of products to various Federal agencies and departments and Crown corporations amounted to $5,270 (1983—$6,581).

Management fees paid to Canada Development Investment Corporation amounted to $2,208 (1983—$1,000).

In the year ended December 31, 1984, the company received $1,581 (1983—$2,950) under various Government of Canada assistance programs.

APPENDIX 2—*Concluded*

THE DE HAVILLAND AIRCRAFT OF CANADA, LIMITED—*Concluded*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

The company has accrued $8,107 at December 31, 1984 (1983—$7,334) for repayment of assistance received from the government.

18. Remuneration of Directors and Officers

	Directors' fees	Remuneration	Bonus	Other	Total
Directors					
Number of directors: 19*	88				88
Officers					
Number of officers: 9		846		109**	955
Totals	88	846		109	1,043

*Includes 2 directors who received no directors' fees.

**Aggregate cost of pension plan benefits paid into pension fund.

19. Commercial Practice

During 1984 the company had 75 agreements relating to marketing and sales with representatives, consultants, and distributors, to whom commissions and fees may be payable. Payments in 1984 aggregated $8,653 of which $1,009 was in respect to obligations incurred prior to 1984. For reasons of commercial confidentiality the company does not publish the names of its representatives, consultants and distributors.

APPENDIX 3

ELDORADO NUCLEAR LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDER

We have examined the statement of consolidated financial position of Eldorado Nuclear Limited as at December 31, 1984 and the statements of consolidated earnings and retained earnings and changes in consolidated financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, proper books of account have been kept by the Company, the financial statements are in agreement therewith and the transactions that have come under our notice have, in all significant respects, been within its statutory powers.

COOPERS & LYBRAND
Chartered Accountants

Ottawa, Canada
February 8, 1985

STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS AT DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Current assets		
Cash and short-term investments	5,779	9
Accounts receivable	44,017	41,437
Income taxes receivable	11,872	26,171
Inventories	103,497	111,228
Supplies and prepaid expenses	11,321	9,959
	176,486	188,804
Current liabilities		
Bank loans and short-term debt	20,000	38,108
Accounts payable	67,161	48,566
Long-term debt due within one year		80,093
Provision for mine shutdown		28,920
	87,161	195,687
Working capital (deficiency)	89,325	(6,883)
Non-current assets		
Investment in joint venture		202,064
Property and equipment	795,141	504,715
Deferred charges	23,267	15,981
Other assets	3,471	3,641
	821,879	726,401
Capital employed	911,204	719,518
Represented by		
Long-term debt	577,360	439,956
Other liabilities	5,551	510
Provision for reclamation	22,585	21,271
Minority shareholding in a subsidiary	43,500	
	648,996	461,737
Shareholder's equity		
Share capital	296,586	296,586
Retained earnings (deficit)	(34,378)	(38,805)
	262,208	257,781
Total financing of capital	911,204	719,518

(See accompanying notes).

Approved by the Board of Directors:

MARCEL BÉLANGER
Director

N. M. EDIGER
Director

APPENDIX 3—*Continued*

ELDORADO NUCLEAR LIMITED—*Continued*

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Revenue		
Sales of products and services	208,139	154,047
Expenses		
Cost of products and services sold	127,168	102,803
Exploration	5,779	5,015
Research and development	2,822	2,645
Administration	8,209	6,875
Financing expense	52,316	20,938
Other expense (income)	(1,296)	(2,606)
Total expenses	194,998	135,670
Earnings before taxes and other items	13,141	18,377
Income taxes and mineral royalties	16,595	8,419
Distribution to preferred shareholders of a subsidiary	3,119	
Earnings (loss) before extraordinary item	(6,573)	9,958
Reduction of provision for mine shutdown	11,000	
Net earnings	4,427	9,958
Retained earnings (deficit) beginning of year	(38,805)	(48,763)
Retained earnings (deficit) end of year	(34,378)	(38,805)

(See accompanying notes).

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Operating activities		
Cash received from sales	205,623	132,691
Cash applied to		
Production costs	96,119	93,094
R&D exploration and administration	13,599	14,094
Mineral royalties	16,595	8,419
	126,313	115,607
Cash provided from operations	79,310	17,084
Investing activities		
Cash received from		
Prior year income tax overpayment	14,299	(737)
Sale of equipment	1,582	1,500
	15,881	763
Cash applied to		
Additions to property and equipment	49,785	112,999
Additions to deferred charges	7,137	10,491
Mine shutdown	3,533	9,698
Purchase of net profits interest	5,000	
Investment in joint venture		32,377
	65,455	165,565
Cash required for investment	49,574	164,802
Financing activities		
Cash received from		
New long-term debt	125,071	30,000
Sale of royalty interest	5,000	
Sale of R&D tax credits	2,485	
Interest income on investments	630	5,882
	133,186	35,882
Cash applied to		
Repayment of long-term debt	70,000	5,201
Net change in short-term debt	18,108	(38,108)
Interest expense	65,925	59,853
Distribution to preferred shareholders	3,119	
Reduction in share capital		10,000
	157,152	36,946
Cash required for financing	23,966	1,064
Increase (reduction) for the year	5,770	(148,782)
Cash and short-term investments at beginning of year	9	148,791
Cash and short-term investments at end of year	5,779	9

(See accompanying notes).

APPENDIX 3—*Continued*

ELDORADO NUCLEAR LIMITED—*Continued*

STATEMENT OF ACCOUNTING POLICIES

The accompanying consolidated financial statements were prepared by management in conformance with Canadian generally accepted accounting principles considered to be appropriate in the circumstances, and have been applied on a basis consistent with that of the preceding year. A summary of significant accounting policies of the Company is presented to assist the reader in interpreting the statements contained herein.

Consolidation

The consolidated financial statements include the accounts of Eldorado Nuclear Limited, its wholly-owned subsidiaries, and the Company's proportionate interest in the accounts of the Key Lake mine joint venture.

Inventories

Inventories of mine concentrates, refined and converted products are valued at the lower of weighted average cost or net realizable value. Cost for customer-owned products is the cost of the refining and conversion processes only.

Inventories of mine concentrates are initially measured and accounted for in the financial statements when the material is sealed in containers upon completion of the milling process.

Supplies

Operating and general supplies are carried at lower of cost or market.

Property and equipment

Assets are carried at cost. Costs of additions, betterments, and renewals are capitalized. When assets are retired or sold, the resulting gains or losses are reflected in current earnings.

Maintenance and repair expenditures are charged to cost of production.

Depreciation and amortization

Fuel Services and Mining buildings and equipment and mineral properties are depreciated or amortized according to the unit-of- production method. This method allocates the cost of these assets to each accounting period according to the amount of the total estimated lifetime production or ore reserves recovered in that period.

Mobile mining equipment and other assets are depreciated according to the composite straight-line method based on the estimated useful lives of these assets, which ranges from 3 to 10 years.

Certain mine development and Fuel Services facility costs associated with capacity additions are deferred as preproduction costs until a commercial level of production is achieved. These costs are then amortized over 10 years in the case of Fuel Services assets, and according to the unit-of-production method in the case of Mining assets. Other costs are charged to production as incurred.

Amortization of financing costs

Debt discounts and issue expenses associated with long-term financing are deferred and amortized over the term of the debt.

Capitalization of interest

Interest costs on funds borrowed to finance the development and construction of major assets are capitalized during the development and construction period until such time as a commercial level of production is achieved.

Provision for reclamation

The estimated costs of decommissioning and reclaiming producing resource properties are accrued and charged to operations according to the unit-of-production method. Actual costs of decommissioning and reclamation are applied to this accrual.

Research and development and exploration costs

Expenditures for applied research and development relative to the products and processes of the company and expenditures for geological exploration programs are charged against earnings as incurred.

Sales of products and services

In accordance with normal industry practices, the company contracts for future delivery of mine concentrates and conversion services. Sales revenue is recorded in the fiscal year that title passes or, with customer-owned material, when delivery is effected.

Foreign exchange

Cash and short-term investments, accounts receivable, accounts payable and long-term debt denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at year-end. Income and expenses are translated at rates in effect at the time of the transaction.

Except for certain U.S. dollar-denominated long-term debt that is hedged against future U.S. dollar revenue, the change in value in Canadian funds over the year of long-term debt denominated in a foreign currency is amortized evenly over the remaining life of the debt. For all other accounts, gains or losses resulting from foreign currency translation are reflected in the statement of consolidated earnings and retained earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1984

1. Eldorado Nuclear Limited

   Eldorado Nuclear Limited is incorporated under the Canada Business Corporations Act, is subject to the Financial Administration Act, the Government Companies Operations Act, is an agent of Her Majesty in Right of Canada, and is wholly-owned by Canada Development Investment Corporation (CDIC).

   The Company is primarily engaged in the mining, refining and conversion of uranium for sale as fuel for generating electricity in nuclear power reactors in Canada and other countries.

2. Accounting policies

   A statement of significant accounting policies of the Company is provided in this statement.

3. Other expense (income)

	1984	1983
	(in thousands of dollars)	
Sale of R&D tax credits	(2,485)	
Interest on investments	(630)	(5,882)
Other	(2,780)	(3,659)
Non-operating items	2,358	4,980
Loss on foreign exchange	2,241	1,955
Total	(1,296)	(2,606)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Continued*

4. Income taxes and mineral royalties

The provisions for income taxes and mineral royalties are as follows:

	1984	1983
	(in thousands of dollars)	
Income taxes		
Mineral royalties	16,595	8,419
Total	16,595	8,419

The reconciliation between the statutory income tax rate and the company's effective rate of income tax and mineral royalties is as follows:

	Percentage of Pre-tax Earnings	
	1984	1983
	%	%
Statutory income tax (recovery) rate	50.9	50.9
Resource and depletion allowances	(68.7)	(31.1)
Adjusted income tax (recovery) rate	(17.8)	19.8
Inventory allowance	(13.3)	(9.5)
Non-deductibility of income debenture interest		6.9
Other	31.1	(17.2)
Effective income tax (recovery) rate	0.0	0.0
Mineral royalties	126.3	45.8
Net effective tax (recovery) rate	126.3	45.8

Provincial mineral royalties, which are not deductible for federal income tax purposes, are calculated in part as a percentage of revenues and consequently the effective rate can fluctuate significantly from year to year.

At December 31, 1984, the company had unrecorded income tax debits of approximately $38.5 million to be applied against future income taxes payable. These debits arise from depreciation costs exceeding capital cost allowance claims, from expenditures on assets qualifying for an earned depletion tax deduction, and from expenditures qualifying for investment tax credits.

5. Inventories

	1984	1983
	(in thousands of dollars)	
Mine concentrates	78,515	87,496
Fuel Services	23,084	22,498
Specialty Metals	1,898	1,234
Total	103,497	111,228

6. Property and equipment

	1984	1983
	(in thousands of dollars)	
Mining		
Plant and equipment	174,799	105,344
Mine development	46,485	17,311
Mineral properties	156,460	
Under development	66,534	26,396
Fuel services		
Plant and equipment	428,431	77,012
Under construction		325,724
Other	16,509	18,150
Total property and equipment	889,218	569,937
Less: accumulated depreciation and amortization	94,077	65,222
Net property and equipment	795,141	504,715
Depreciation and amortization for year	29,064	15,432

With the Key Lake mine commencing commercial operations in 1984, the Company's investment therein has been allocated to property and equipment and various working capital accounts in 1984.

7. Deferred charges

	1984	1983
	(in thousands of dollars)	
Preproduction	19,185	11,524
Unamortized financing costs	4,082	4,457
Total	23,267	15,981
Amortization for year	2,037	1,035

8. Minority shareholding in a subsidiary

In April 1984, an Eldorado subsidiary acquired all rights to and benefits in the 1970 New Continental Oil (NCO) royalty agreement from Aberford Resources Limited, Hacienda Oil & Minerals Ltd. and Oak Ridge Oil & Minerals Ltd. This agreement gives the holder a 20 percent interest in the profits derived from certain Athabasca basin properties held by Eldorado's Eldor Mines division and others. Consideration was $5.0 million cash and $43.5 million redeemable preferred shares of the subsidiary company. The shares, with certain restrictions, can be redeemed between 1988 and 1994 and bear a 10 percent annual dividend.

As security, the three companies hold a lien on certain uranium inventory. At Eldorado's option, the lien can also be satisfied from time to time by a letter of credit. The lien covers the value of the subsidiary's redeemable preferred shares plus future dividends, through to the shares' designated redemption dates. Each payment of a dividend or redemption of a share reduces the lien by a similar amount. At December 31, 1984, the Company has inventories in excess of the prescribed value.

For consideration of $5.0 million cash, Aberford Resources Limited, Hacienda Oil & Minerals Ltd. and Oak Ridge Oil & Minerals Ltd. acquired from Eldorado a royalty interest on uranium sales from certain designated properties. The royalty covers that portion of such sales in excess of a designated base selling price which is adjusted annually for inflation. During 1984, sales did not exceed the adjusted base price and no royalty was paid.

APPENDIX 3—*Concluded*

ELDORADO NUCLEAR LIMITED—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

9. Long-term debt

	1984	1983
	(in thousands of dollars)	
(i) From Canada		
11.875% notes due 1986	10,093	10,093
(ii) Other		
Notes due 1986, at 13.25% ($50 million U.S.)	66,070	62,220
Loan due 1991, at 7% (100 million Swiss francs)	50,800	57,110
Notes due 1988, at 9.19% (10.108 billion Japanese yen)	53,097	54,330
Loan due 1987-1992, at 8.8% (2 billion Japanese yen)	10,506	10,750
Notes due 1992, at 14.5% ($100 million U.S.)	132,140	124,440
Loan due 1992, at 14.25% ($44,7 million U.S.)	59,002	55,562
Bonds due 1992, at 8.5% (10 billion Japanese yen), with 10% of principal due in each or years 1988-1991	52,530	53,750
Debenture due 1988, at 11%	30,000	30,000
Euro notes, due 1989 to be set semi-annually at LIBOR rate ($100 million U.S.)	132,140	
Income debentures due January 3, 1984		40,000
Promissory note due 1984		30,000
Sub-total	596,378	528,255
Less: current portion of long-term debt listed above		80,093
deferred loss on foreign exchange	19,018	8,206
Total	577,360	439,956

The long-term debt payments due in each of the next five years are as follows: 1985—nil; 1986—$76.2 million; 1987—$1.1 million; 1988—$90.5 million; 1989—$139.5 million.

10. Share capital

	1984	1983
Authorized		
Common shares	Unlimited number no par value	
Preference shares	1,600,000	1,600,000
	(in thousands of dollars)	
Issued and fully paid		
Common—3,852,880 shares (1983—3,852,880)	201,586	201,586
Preference—800,000 shares (1983—800,000)	95,000	95,000
	296,586	296,586

Each preference share is redeemable at the option of either party at a value of $118.75 per share and carries a non-cumulative dividend of $7.125 per annum.

11. Commitments and contingencies

(a) The Company has entered into long-term leases on certain properties up to 1987 with annual rental payments averaging $395,000.

(b) The Company has defined benefit pension plans covering all of its regular full-time employees. The pension funds, which are administered by independent trustees, are valued at least every three years by consulting actuaries. Based on the latest actuarial valuations at July 1, 1982 and June 30, 1983, the plans have a surplus of $7.5 million.

(c) Through a wholly-owned subsidiary, the Company is a one-sixth partner in a joint venture mining operation at Key Lake, Saskatchewan. In accordance with the joint venture agreement, Eldorado is obligated to meet its proportionate share of the commitments of the joint venture. Aside from normal operating expenditures, the Company has no outstanding commitments as at December 31, 1984.

(d) In connection with its operation, the Company is the defendant in certain litigation. After discussion with legal counsel, it is the opinion of management that this will not result in any material liabilities to the Company.

12. Supplementary information

(a) During 1984, the Company paid sales commissions to Marubeni Corporation, Toyomenka Canada Ltd., and Uranerzbergbau-GmbH.

(b) Interest costs of $18.0 million paid in 1984 have been capitalized under property and equipment (1983—$37.4 million).

(c) On June 27, 1984, the number of directors increased from 10 to 16. During 1984, the total remuneration paid to the Company's outside directors was $95,500 (1983—$79,709). The Company's officers received remuneration totalling $650,129 (1983—$661,583). One officer is also a director but is not compensated for service as a member of the Board or its committees.

13. Segmented information

(a) Industry Segment

The Company is of the opinion that virtually all its sales revenues are in the industry segment identified as the nuclear fuel industry.

(b) Sales

Sales revenues, which are derived primarily from sales to foreign and domestic electric utilities, are as follows:

	1984	1983
	(in thousands of dollars)	
Export sales	159,297	107,362
Domestic sales	48,842	46,685
Total sales	208,139	154,047

14. Provision for mine shutdown

Established in 1981, the provision for the Beaverlodge mine shutdown represented the expected remaining cost of decommissioning and reclaiming the Beaverlodge mine site. Since then, costs related to the shutdown have been applied against the provision. The shutdown work at December 31, 1984 is in its final phase. As a result, the provision has been reappraised with the excess, $11.0 million, being recorded as extraordinary income while the remaining liability has been added to accounts payable. The related income tax of $5.6 million has been set off against available unrecorded income tax debits.

15. Sale of R&D tax credits

During the year, the Company sold Scientific Research Tax Credits to an outside investor by issuing to that investor a $5.0 million debenture carrying a redemption price of approximately one-half its purchase price. The debenture was redeemed, resulting in a gain of $2.5 million.

SUMMARY PAGE

CANADA HARBOUR PLACE CORPORATION

MANDATE

Plan, build and, in certain cases, operate a variety of facilities on Pier BC on the downtown Vancouver waterfront.

BACKGROUND

Commencing in 1982, the corporation has been designing and building on Pier BC a cruise ship terminal, a parking garage, an IMAX theatre, a Canadian pavilion EXPO '86, a trade and convention centre, and public amenities. All of this work, largely funded by the federal government, is scheduled for completion in time for the opening of EXPO '86 in May 1986.

CORPORATION DATA

HEAD OFFICE	1660-999 West Hastings Street Vancouver, British Columbia V6C 2W2
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	By letters patent (no. 132316) in June 1982 under the *Canada Business Corporations Act.*
CHIEF EXECUTIVE OFFICER	Kenneth G. Bream
CHAIRMAN	Ian Barclay
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**	**1982-83**
At the end of the period			
Total Assets	88.3	34.8	12.9
Obligations to the private sector	nil	nil	nil
Obligations to Canada	nil	nil	nil
Equity of Canada	76.5	28.4	7.4
Cash from Canada in the period			
— budgetary	48.1	20.9	7.4
— non-budgetary	nil	nil	nil

CANADA HARBOUR PLACE CORPORATION

AUDITOR'S REPORT

THE HONOURABLE DON MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of Canada Harbour Place Corporation as at March 31, 1985 and the statement of changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, and the articles and by-laws of the Corporation.

E. R. ROWE, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 17, 1985

BALANCE SHEET AS AT MARCH 31, 1985
(in thousands of dollars)

ASSETS	1985	1984
Cash and short-term investments	6,227	6,532
Parliamentary appropriation receivable (Note 6)	19,200	
Accounts receivable	2,951	4
Construction in progress (Note 3)	52,233	28,148
Deferred costs (Note 4)	7,650	75
	88,261	34,759

LIABILITIES	1985	1984
Accounts payable	11,751	6,404
SHAREHOLDER'S EQUITY		
Capital stock (Note 5)		
Contributed capital (Note 6)	76,510	28,355
	88,261	34,759

Approved by the Board:

K. G. BREAM
Director

L. P. STARCK
Director

CANADA HARBOUR PLACE CORPORATION—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Source of funds		
Contributed capital	48,155	20,935
Receipts from development agreement (Note 8)	16,810	
Accounts payable	5,347	877
Receipts under lease agreements (Note 7)	1,900	27,938
Deferred revenue	286	
Accounts receivable		311
	72,498	50,061
Use of funds		
Construction in progress	42,795	48,610
Parliamentary appropriation receivable	19,200	
Deferred costs	7,861	75
Accounts receivable	2,947	
	72,803	48,685
Increase (decrease) in funds	(305)	1,376
Cash and short-term investments		
Beginning of year	6,532	5,156
End of year	6,227	6,532

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. Authority and objectives

The Canada Harbour Place Corporation was incorporated on June 9, 1982 under the Canada Business Corporations Act. The Corporation is an agent of Her Majesty pursuant to the Government Companies Operation Act, and is named as an agency Crown corporation in Part I of Schedule C of the Financial Administration Act. The three shares issued and outstanding are all held in right of Canada by the Minister of Transport, the Responsible Minister with whom control of the Corporation lies.

The Corporation is exempt from income taxes.

The objectives of the Corporation are to act as a developer and acquire, administer and dispose of land, and manage real property for the Government of Canada in Vancouver, B.C. For this purpose, it is to design and construct a facility at Canada Place to include a cruise ship terminal and a Canadian host pavilion for Expo 86 suitable to be converted to a trade and convention centre. In addition, the Corporation has the authority to manage and operate the facility at Canada Place, either by itself or with others, and organize, operate and manage the participation of the Government of Canada as exhibitor and host nation for Expo 86.

The total cost of the facility at Canada Place, including the Canada Pavilion for Expo 86 and the cost to convert the Pavilion to a Trade and Convention Centre, is estimated at $227.3 million of which $159.7 million is expected to be contributed by the Government, $22.8 million by the Vancouver Port Corporation in respect of the cruise ship terminal and $44.8 million from other sources.

The Responsible Minister is to recommend to the Governor in Council prior to December 31, 1988 on the continued activities of the Corporation beyond that date.

2. Significant accounting policies

Construction in progress

All expenditures including those for acquisition, design, construction and administration for the permanent structures at Canada Place will be capitalized until the facility is fully developed. Interest income is credited to construction in progress. Receipts from the sale of development rights and leaseholds are also deducted from the construction costs.

Deferred items—Canada Pavilion

The expenditures to design, construct and fit-out the Canada Pavilion and to organize, operate and manage the participation of the Government of Canada as exhibitor and host nation for Expo 86 respectively are recorded as deferred expenses and will be charged against operations during the operating period of the Exposition from May to October 1986. Operating revenues received in advance of the operating period of the Canada Pavilion and Canada Place facilities are deferred until the operating period of these facilities.

3. Construction in progress

	Cumulative to March 31, 1984	Expenditures 1985	Cumulative to March 31, 1985
	(in thousands of dollars)		
Site purchase	3,731		3,731
Siteworks and substructure	18,139	278	18,417
Structural steel	12,156	2,739	14,895
General contract	8,233	35,182	43,415
Architects and consultants	5,960	930	6,890
Access	5,557	2,988	8,545
Trade and Convention Centre conversion	30	308	338
	53,806	42,425	96,231
Administration (Note 13)	3,417	1,845	5,262
	57,223	44,270	101,493
Less interest income	1,137	1,475	2,612
	56,086	42,795	98,881
Less receipts			
Under lease agreements (Note 7)	27,938	1,900	29,838
Under development agreement (Note 8)		16,810	16,810
	28,148	24,085	52,233

Title to that part of the bed of Vancouver harbour on which the facility is located was transferred to the Corporation from Vancouver Port Corporation for one dollar and has been so recorded in site purchase costs.

4. Deferred costs

	Cumulative to March 31, 1984	Expenditures 1985	Cumulative to March 31, 1985
	(in thousands of dollars)		
Canada Pavilion costs			
Imax Theatre		3,051	3,051
Exhibitry	29	2,290	2,319
Public affairs	10	415	425
Cultural programs		235	235
Other construction		82	82
Operations		8	8
Administration	36	1,780	1,816
Total deferred costs	75	7,861	7,936
Less sponsorship revenue		286	286
Deferred costs	75	7,575	7,650

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

5. Capital stock

Three shares are authorized, issued and fully paid for at $1 per share.

During the year the Corporation was added to Schedule C Part I of the Financial Administration Act and the two shares held by the Canada Lands Company Limited, also a Schedule C Part I Crown Corporation, and the one share held in right of Canada by the then Responsible Minister, the Minister of State for Social Development, were transferred with the approval of the Governor in Council to the new Responsible Minister, the Minister of Transport.

6. Contributed capital

	Cumulative to March 31, 1984	Receipts 1985	Cumulative to March 31, 1985
	(in thousands of dollars)		
Government of Canada	28,355	48,155	76,510

During the year, Public Works appropriations for the Corporation amounted to $48.1 million (1984—$24.8 million) of which $28.9 million (1984—$20.9 million) was received by the Corporation and the balance of $19.2 million was due to the Corporation at the year end.

7. Receipts under lease agreements

In 1983, the Corporation entered into 99 year agreements with Tokyu Canada Corporation, for the lease of air rights at Canada Place to Tokyu. Under the terms of the agreements, Tokyu agreed to pay the Corporation an up front, non-refundable payment of $15 million for the air rights and $15.556 million for costs related to the construction of facilities to support office space and a hotel to be constructed by Tokyu within the air rights parcel. Closing costs of $.262 million and $.456 million of reimbursable costs resulted in a net receivable of $29.838 million under this lease. Tokyu will also pay additional rent for its share of the common area and operating costs. Further, Tokyu has the option to operate the Trade and Convention Centre at Canada Place (see Note 11).

8. Receipts from development agreement

During the year, the Corporation executed a development agreement with the Vancouver Port Corporation (V.P.C.) to construct a cruise ship terminal for $22.8 million in the Canada Place project. As of March 31, 1985, V.P.C. has paid the Corporation $16.8 million with the balance expected by September 30, 1985.

9. Contractual obligations

At March 31, 1985, the construction and related costs to complete the project including conversion costs are estimated at $121 million of which approximately $21 million has already been committed.

Under the terms of an agreement for sponsorship of the Imax Theatre and a film, Canadian National Railways will contribute $5 million towards the cost.

10. Lease commitments

The Corporation has entered into lease agreements for office space and the Imax projection system. The future minimum lease payments by fiscal year are as follows:

	(in thousands of dollars)
1986	545
1987	554
1988	708
1989	162
1990	162
	2,131

11. Contingency

If the Corporation secures an operator for the Trade and Convention Centre by December 31, 1986, the Corporation is responsible to convert the Expo 86 Canada Pavilion to a first class Trade and Convention Centre.

If an operator is not found by December 31, 1985, Tokyu Canada Corporation has the option to operate the Trade and Convention Centre. In this event, the Corporation has a contractual obligation to convert the Canada Pavilion, including the installation of furniture, fixtures and equipment, to a Trade and Convention Centre at an estimated cost of $15 million. As well, the Corporation has agreed to reimburse Tokyu one half of any net operating losses of the Centre for three years up to a maximum of $.333 million per year.

12. Retirement plan

Because of the term nature of the project, the Corporation has agreed to make annual payments for all employees to retirement plans of their choice and to provide for a retiring allowance to senior officers. These benefits are equivalent to 8 ½% of the annual salary for each employee and officer.

13. Administration

	Cumulative to March 31, 1984	Expenditures 1985	Cumulative to March 31, 1985
	(in thousands of dollars)		
Salaries and wages	1,054	730	1,784
Legal and other professional fees	561	195	756
Public affairs	401	208	609
Marketing	217	238	455
Rent	287	156	443
Insurance	209	92	301
Office	163	123	286
Leasehold improvements, furniture and equipment	219	31	250
Travel and entertainment	176	72	248
Permits and licences	130		130
	3,417	1,845	5,262

14. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations.

The Corporation is dependent on the Government of Canada for working capital and to finance expenditures.

All significant related party transactions are disclosed in Notes 3, 6 and 8.

15. Subsequent event

Following approval of the Corporate Plan by the Governor in Council as required by the Financial Administration Act, the operating and capital budgets of the Corporation for the year ended March 31, 1986 were approved by the Treasury Board and incorporated in the summary of the Corporate Plan laid before Parliament on May 16, 1985.

SUMMARY PAGE

CANADA LANDS COMPANY LIMITED

MANDATE

The Canada Lands Company Limited has the mandate to hold certain leases for a property in London, England and two properties on Indian reserves in Canada. It is also the shareholder in three subsidiary corporations.

BACKGROUND

Formerly the Public Works Lands Company, the corporation's main efforts recently have been concentrated within subsidiaries with operations at Le Vieux-Port de Montréal, Vieux-Port de Quebec, and Mirabel, respectively.

CORPORATION DATA

HEAD OFFICE	Sir Charles Tupper Building Confederation Heights Riverside Drive Ottawa, Ontario K1A 0M2
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Roch La Salle, P.C., M.P.
DEPARTMENT	Public Works
DATE AND MEANS OF INCORPORATION	By Letters Patent 56/03/07 reorganized under the *Canada Corporation Act*, 77/09/19. (Certificate of Continuance - under *Canada Business Corporation Act* 81/07/07)
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	M.A.J. Lafontaine
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31. The data presented relate respectively to the parent corporation (Canada Lands Company Limited) and its three subsidiaries; Canada Lands Company (Mirabel) Limited, Canada Lands Company (Le Vieux-Port de Montréal) Limited and Canada Lands Company (Vieux-Port de Québec) Inc.

	1984-85*	1983-84	1982-83	1981-82
At the end of the period				
Total Assets				
—parent corporation	nil	nil	nil	nil
—Mirabel corporation	5.0	4.8	1.8	3.8
—Montreal corporation	6.5	1.8	1.1	0.5
—Quebec corporation	4.5	11.0	2.0	2.8
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada, net				
—parent corporation	nil	nil	nil	nil
—Mirabel corporation	4.3	4.1	0.7	1.0
—Montreal corporation	3.2	0.1	negl.	(0.2)
—Quebec corporation	0.5	(1.1)	(0.7)	(0.4)
Equity of Canada	nil	nil	nil	nil
Cash from Canada in the period				
—non-budgetary	nil	nil	nil	nil
—budgetary				
—parent corporation	nil	nil	nil	nil
—Mirabel corporation	8.1	11.2	9.9	11.6
—Montreal corporation	31.6	12.6	6.3	4.1
—Quebec corporation	27.0	32.5	19.3	13.4

* These are preliminary data.

THE AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 1982 TO 1985
WERE NOT AVAILABLE AT DATE OF PRINTING

APPENDIX 1

CANADA LANDS COMPANY (MIRABEL) LIMITED

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1985
WERE NOT AVAILABLE AT DATE OF PRINTING

APPENDIX 2

CANADA LANDS COMPANY (LE VIEUX-PORT DE MONTRÉAL) LIMITED

AUDITOR'S REPORT

THE HONOURABLE ROCH LASALLE, P.C., M.P.
MINISTER OF PUBLIC WORKS

I have examined the balance sheet of Canada Lands Company (Le Vieux-Port de Montréal) Limited as at March 31, 1985 and the statement of transactions for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the charter and by-laws of the Corporation, as well as the agreement between the Corporation and Her Majesty in right of Canada represented by the Minister of Public Works.

RAYMOND DUBOIS, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 31, 1985

BALANCE SHEET AS AT MARCH 31, 1985

ASSETS	1985	1984	LIABILITIES	1985	1984
	$	$		$	$
Cash and temporary investments, at cost (approximates market value)	3,858,960	1,777,378	Accounts payable	5,710,347	1,718,799
Accounts receivable	107,406	31,967	Due to Receiver General for Canada (Note 4)	750,855	74,612
Due from Minister of Public Works (Note 3)	2,486,618		Due to Minister of Public Works (Note 3)		16,764
Prepaid expenses	8,218	830		6,461,202	1,810,175
			SHAREHOLDER'S EQUITY		
			Capital stock (Note 5)		
	6,461,202	1,810,175		6,461,202	1,810,175

Approved by the Board:

ROGER BEAULIEU
Director

BENOÎT LEMAY
Director

APPENDIX 2—*Concluded*

CANADA LANDS COMPANY (LE VIEUX-PORT DE MONTRÉAL) LIMITED—*Concluded*

STATEMENT OF TRANSACTIONS
CARRIED OUT AS AGENT AND ON BEHALF OF THE
MINISTER OF PUBLIC WORKS
FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
EXPENDITURES		
Operating		
Personnel costs	1,059,205	791,028
Professional and technical services	599,734	399,012
Maintenance of property	445,697	261,219
Administrative expenditures	326,313	173,520
Travel and representation	103,217	54,966
	2,534,166	1,679,745
Capital	29,066,216	10,459,979
Communications and culture program	262,291	
Employment program—Job creation		384,039
Total to be funded (Note 3)	31,862,673	12,523,763
Cumulative since November 26, 1981	51,601,050	19,738,377
PROCEEDS		
Interest	508,949	173,425
Parking	75,332	109,794
Rentals	142,043	104,119
Other	65,256	8,100
Total to be remitted (Note 4)	791,580	395,438
Cumulative since November 26, 1981	1,354,217	562,637
EXCESS OF EXPENDITURES OVER PROCEEDS		
For the year	31,071,093	12,128,325
Cumulative since November 26, 1981	50,246,833	19,175,740

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1985

1. Authority and activities

Canada Lands Company (Le Vieux-Port de Montréal) Limited was incorporated on November 26, 1981 under the Canada Business Corporations Act and is a wholly-owned subsidiary of Canada Lands Company Limited, a Crown corporation named in Part I of Schedule C to the Financial Administration Act.

Effective February 1, 1982, pursuant to an agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works, the Corporation is responsible for developing and for promoting the development of the lands of Le Vieux-Port de Montréal, and for administering, managing and maintaining the property of Her Majesty located therein. The Corporation fulfills this responsibility in the name and for the account of the Minister of Public Works who continues to hold title to the fixed assets for the benefit of Her Majesty.

Parliament has not authorized the Corporation to retain any proceeds from operations for its use.

2. Significant accounting policies

(a) Financial statement presentation

The statements present transactions carried out by the Corporation as agent and on behalf of the Minister of Public Works. All expenditures are incurred on behalf of the Minister and are reimbursable to the Corporation. All proceeds are payable to the Receiver General for Canada. Differences between parliamentary appropriations received and expenditures are recorded by the Corporation as due from or due to the Minister of Public Works.

(b) Expenditures of a capital nature

Expenditures of a capital nature represent costs which significantly increase the value or extend the useful lives of properties administered by the Corporation. They also include costs of demolishing structures.

(c) Employee termination benefits

On termination of employment, employees of the Corporation are entitled to certain benefits provided for under the salary administration policy of the Corporation. The cost of these benefits is recorded in the year in which they are earned by the employees. The estimated liability resulting from this policy is included in accounts payable.

(d) Retirement savings plan

The Corporation has established a group retirement savings plan under which a single trust was established with a private sector organization in order to accumulate contributions to provide a retirement income for the employees through individually registered retirement savings plans. All contributions are paid by the employees, the Corporation acting solely as an agent without incurring any liability.

3. Due from (due to) Minister of Public Works

	1985	1984
	$	$
Balance receivable (payable) at beginning of the year	(16,764)	99,912
Expenditures	31,862,673	12,523,763
	31,845,909	12,623,675
Less:		
Funds drawn from Department of Public Works Vote 70 (Vote 56 in 1984)		
Canada Lands Company (Le Vieux-Port de Montréal) Limited	29,097,000	12,256,400
Funds drawn from Department of Communications Vote 10		
Communications and culture program	262,291	
Funds drawn from Treasury Board Vote 10		
Employment initiatives program		384,039
	29,359,291	12,640,439
Balance receivable (payable) at end of the year	2,486,618	(16,764)

4. Due to Receiver General for Canada

	1985	1984
	$	$
Balance at beginning of the year	74,612	148,571
Proceeds	791,580	395,438
	866,192	544,009
Remittances to the Consolidated Revenue Fund	115,337	469,397
Balance at end of the year	750,855	74,612

5. Capital stock

The Corporation is authorized to issue a single share, to be held in trust for Her Majesty in Right of Canada, which may not be transferred without the consent of the Governor in Council. The authorized share has been issued in consideration of services rendered.

6. Commitments

As at March 31, 1985, the Corporation's contractual commitments amount to approximately $3.2 million.

APPENDIX 3

CANADA LANDS COMPANY (VIEUX-PORT DE QUÉBEC) INC.

THE AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 1984 AND 1985
WERE NOT AVAILABLE AT DATE OF PRINTING

SUMMARY PAGE

CANADA MORTGAGE AND HOUSING CORPORATION

MANDATE

To promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions.

BACKGROUND

Established in 1946, the corporation acts as the government's agent in the provision of grants, contributions and subsidies for the advancement of housing and community development. It conducts research and provides policy advice to government; it administers the Mortgage Insurance Fund whose prime purpose is to ensure an adequate supply of mortgage funds for housing and it lends to groups and individuals for housing purposes and invests in housing-related projects.

CORPORATION DATA

HEAD OFFICE	Montreal Road Ottawa, Ontario K1A 0P7
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable William McKnight, P.C., M.P.
DEPARTMENT	Labour
DATE AND MEANS OF INCORPORATION	*Central Mortgage and Housing Corporation Act,* 1946 (R.S.C. 1970, C. C-16).
CHIEF EXECUTIVE OFFICER	Robert C. Montreuil
CHAIRMAN	Robert E. Jarvis, Q.C.
AUDITORS	Burke, Newman & Co. and Samson Bélair

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	**1983 (restated)**	**1982**	**1981**
At the end of the year				
Total Assets	10,277	10,383	10,684	10,472
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	9,990	10,212	10,192	10,142
Equity of Canada	50	50	50	30
Cash from Canada in the year				
— budgetary	1,728	1,890	1,454	1,095
— non-budgetary	374	424	431	563

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Management of the Corporation is responsible for establishing and maintaining a system of books, records, internal controls and management practices to provide reasonable assurance that reliable financial information is produced, the assets of the Corporation are safeguarded and controlled, the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation, the resources of the Corporation are managed efficiently and economically and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements. The accompanying financial statements of the Corporation were prepared by management in accordance with the accounting principles, consistently applied, as described in the notes to the financial statements. The financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee which includes a majority of members who are not employees of the Corporation. The Committee meets from time to time with management, internal audit staff and the independent external auditors to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditors and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

The financial statements have been examined by the auditors, James J. Smith, C.A. of the firm Burke, Newman & Co. and Paul-André Michaud, C.A. of the firm Samson Bélair and their report offers an independent opinion on the financial statements to the Minister Responsible for Canada Mortgage and Housing Corporation.

AUDITORS' REPORT

TO THE HONOURABLE BILL McKNIGHT, P.C., M.P.
MINISTER RESPONSIBLE FOR
CANADA MORTGAGE AND HOUSING CORPORATION

We have examined the balance sheets of Canada Mortgage and Housing Corporation: Corporate Account, Mortgage Insurance Fund, Home Improvement Loan Insurance Fund and Rental Guarantee Fund as at December 31, 1984, and the related statements of operations and reserve fund, operations and deficit or surplus, changes in financial position and Minister's Account for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984, and the results of its operations, changes in its financial position and expenditures for and recoveries from the Minister for the year then ended in accordance with the accounting principles described in Note 1 to these financial statements applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, except for the uncertainty as to authority referred to in Note 2 to the statement of the Minister's Account, the transactions that have come under our notice have been, in all significant respects, within the powers of the Corporation.

JAMES J. SMITH, C.A.
of the firm Burke, Newman & Co.

PAUL-ANDRÉ MICHAUD, C.A.
of the firm Samson Bélair

Ottawa, Canada
February 20, 1985

CORPORATE ACCOUNT

BALANCE SHEET AS AT DECEMBER 31, 1984
(in thousands of dollars)

STATEMENT C1

ASSETS	1984	1983
Loans and investments—Schedule I		
Market housing	2,212,710	2,315,733
Social housing	6,318,867	6,208,096
Rehabilitation and conservation	160,898	165,542
Community services	1,505,936	1,555,006
Corporate financing	22,575	20,670
	10,220,986	10,265,047
Cash and Short-Term Deposits		15,790
Accounts Receivable		
The Minister	21,818	49,092
Funds administered		6,333
Other	5,448	16,785
	27,266	72,210
Deferred Income Taxes	8,975	9,908
Business Premises, Office Furniture and Equipment		
At cost	32,533	29,639
Accumulated depreciation	19,725	17,855
	12,808	11,784
Other Assets	6,941	7,771
	10,276,976	10,382,510

LIABILITIES	1984	1983
Borrowings from the Government of Canada	9,944,807	10,159,950
Cheques Issued in Excess of Funds on Deposit	105,291	
Accounts Payable and Accrued Liabilities		
The Receiver General for Canada	45,444	52,121
Funds administered	1,760	
Other	82,144	63,758
	129,348	115,879
Actuarial Obligation to the Pension Fund	7,592	11,254
Deferred Profits	39,938	45,427
	10,226,976	10,332,510
CAPITAL AND RESERVE FUND		
Capital—Authorized and fully paid by the Government of Canada	25,000	25,000
Reserve Fund	25,000	25,000
	50,000	50,000
	10,276,976	10,382,510

See accompanying notes.

ROBERT C. MONTREUIL
President

HAROLD S. PERRIE
Chief Accountant

CORPORATE ACCOUNT

STATEMENT OF OPERATIONS AND RESERVE FUND
(in thousands of dollars)

STATEMENT C2

	Year ended December 31, 1984		Year ended December 31, 1983	
Market Housing				
Interest earned	214,290		229,833	
Gain on disposal of real estate	1,151		1,630	
	215,441		231,463	
Interest expense	182,742	32,699	184,081	47,382
Social Housing				
Interest earned	519,597		499,856	
Gain on disposal of real estate	560		2,034	
	520,157		501,890	
Interest expense	481,717	38,440	464,517	37,373
Rehabilitation and Conservation				
Interest earned	18,472		18,394	
Interest expense	16,291	2,181	15,812	2,582
Community Services				
Interest earned	132,071		131,382	
Gain on disposal of land assembly projects	9,192		6,921	
	141,263		138,303	
Interest expense	125,847	15,416	118,434	19,869
Corporate Financing				
Gain on disposal of land	1,451			
Carrying cost	1,042	409	1,096	(1,096)
Other Interest Income		14,502		12,859
Margin on Financing Operations		103,647		118,969
Services to Others		17,525		17,826
		121,172		136,795
Administrative Expenses		47,676		47,163
Income before Income Taxes		73,496		89,632
Income Taxes—Current	32,909		41,428	
—Deferred	933	33,842	1,196	42,624
Net Income		39,654		47,008
Reserve Fund, beginning of year		25,000		25,000
		64,654		72,008
Transferred to the Receiver General for Canada		39,654		47,008
Reserve Fund, end of year		25,000		25,000

See accompanying notes.

CORPORATE ACCOUNT

STATEMENT OF CHANGES IN FINANCIAL POSITION
(in thousands of dollars) STATEMENT C3

	Year ended December 31	
	1984	1983
Source of Cash		
Income before income taxes	73,496	89,632
Add: net change in accrued interest	4,767	15,774
depreciation	1,870	1,397
	80,133	106,803
Loans and investments repayments	563,170	628,449
Borrowings from the Government of Canada	374,000	423,500
Decrease in accounts receivable from the Minister	27,274	149,356
Decrease in accounts receivable from Funds administered	8,093	
Other	27,658	14,225
	1,080,328	1,322,333
Application of Cash		
Loans and investments additions	525,708	549,738
Repayment of borrowings from the Government of Canada	592,800	619,613
Reduction of unfunded obligation to employees' pension fund	3,662	4,435
Increase in accounts receivable from Funds administered		28,440
Paid to Receiver General for Canada		
—Federal income taxes	32,085	42,845
—Excess in reserve fund	47,008	10,018
—Other	146	124
	1,201,409	1,255,213
Increase (Decrease) in Cash and Short-Term Deposits	(121,081)	67,120
	1,080,328	1,322,333

See accompanying notes.

Canada Mortgage and Housing Corporation was incorporated as a Crown Corporation by an Act of Parliament on January 1, 1946. Its activities are regulated by the National Housing Act, the Canada Mortgage and Housing Corporation Act and, in certain respects, the Financial Administration Act, and include:

Corporate Account

Financing housing and community improvement through the making of loans and investments under specific conditions at interest rates normally at market rates which are generally higher than the rates it pays on funds borrowed from the Government of Canada.

Minister's Account

Making certain payments or incurring expenses in the process of delivering housing programs on behalf of the federal government. These payments and expenses include grants, contributions, subsidies, loan forgiveness, losses on real estate, losses under federal-provincial agreements, interest rate losses, research and development, and specified administrative costs. The funding for these activities is provided for in Main or Supplementary Estimates which are tabled in Parliament. Parliamentary approval is by way of Appropriation Acts together with Statutory authorities which authorize the responsible Minister to reimburse the Corporation for the specified payments and expenses for the fiscal year concerned.

Insurance and Guarantee Funds

Administering certain Insurance and Guarantee Funds on behalf of the Government of Canada. The Mortgage Insurance Fund, the largest of the Funds, is the chief instrument for establishing a framework of confidence for mortgage lending by private institutions. This instrument facilitates an adequate supply of mortgage funds by reducing the risk to lenders and encouraging the secondary market trading of mortgages.

CORPORATE ACCOUNT

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. Significant Accounting Policies

The Corporation follows generally accepted accounting policies or, in certain cases, accounting policies appropriate to the Corporation's activities and governing legislation. The financial statements of the Mortgage Insurance Fund and the Other Insurance and Guarantee Funds are not consolidated with these financial statements. The principal accounting policies followed by the Corporation are:

(a) Loans

Loans are capitalized as funds are advanced. Where loans contain forgiveness clauses, such forgiveness is recorded when the loans are advanced and recovered from the Minister. Loans under certain programs give rise to interest rate losses which are recoverable from the Minister. No provisions are made for possible losses on loans. Losses on insured loans are recoverable from the Mortgage Insurance Fund while property acquired upon default of uninsured loans is subject to loss recovery as described under Real Estate. Other losses on uninsured loans are recoverable from the Minister.

(b) Federal-Provincial Agreements

Investments made under agreements with the provinces to encourage development of rental housing, land assembly, co-operative housing and rural and native housing are considered joint ventures. The underlying assets include agreements for sale, mortgages and real estate.

The Corporation has a seventy-five percent share in the joint ventures which is accounted for on the equity method. Where the Province is responsible for the administration of projects, the Corporation relies on financial information provided by the Province.

Gains on the sales of land assembly projects are retained by the Corporation and are recognized as income as payments are received. Losses incurred on federal-provincial investments are recoverable from the Minister.

(c) Real Estate

Real estate is recorded at cost. Real estate acquired upon default of loans is recorded at the unpaid loan balance plus interest accrued to the date of acquisition by default, together with acquisition expenditures and any modernization and improvement costs. Both the net operating costs prior to disposal including depreciation, and net losses resulting from the disposal of properties acquired upon default of loans are recoverable from the Minister. Profits on the sale of real estate are recognized as income as payments are received.

(d) Depreciation

Depreciation of real estate is recorded on a straight-line basis over the term established for repayment of borrowings to finance construction or acquisition of the real estate.

Depreciation on business premises, office furniture and equipment is recorded on a diminishing balance basis at capital cost allowance rates in accordance with the provisions of the Income Tax Act, Canada.

(e) Income Tax

The Corporation is subject to federal income tax and provides for income tax on the tax allocation basis. Under this basis the provision for income tax is determined from the earnings reported in the statement of operations rather than from the Corporation's income for tax purposes.

(f) Employees' Pension Plan

Current service costs of the employees' pension plan are charged to earnings and funded on the basis of an actuarial

CORPORATE ACCOUNT

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

study made at least every three years in accordance with the provisions of the Pension Benefits Standards Act which is administered by the Federal Department of Insurance. The plan will next be evaluated in 1986.
Experience deficiencies or surpluses determined by actuarial study are recognized in the year in which such deficiencies or surpluses are identified. The remaining actuarial obligation will be funded by annual payments of principal and interest up to December 31, 1994.

(g) Deferred Profits

The Corporation disposes of real estate and federal-provincial land assembly projects extending mortgages and sales agreements with varying repayment terms. Income from these sales is recognized as payments are received.

(h) Reserve Fund

Income or loss after income taxes is transferred to the Reserve Fund which is limited by Order-in-Council to $25 million. Any excess over this amount is transferred to the credit of the Receiver General for Canada.

(i) Interest Income and Expense

Interest income and expense are accounted for on the accrual basis.

2. Real Estate

The overall appraised value of real estate at November 30, 1984 is in excess of its book value by $33.7 million. However, potential losses on specific properties could amount to $21.2 million based on these appraised values. Real estate is net of accumulated depreciation, 1984—$17 million (1983—$16 million).

3. Borrowings from the Government of Canada

The Corporation borrows from the Government of Canada under the provisions of Section 22 of the CMHC Act and Sections 40 and 55 of the National Housing Act to finance investment in loans, federal-provincial agreements, real estate and agreements for sale and mortgages arising from sales of real estate. The borrowings are evidenced by debentures, which bear interest at varying rates and are repayable over periods not in excess of 50 years.

4. Contingent Liabilities

In the normal course of operations, the Corporation is subject to legal claims, the effect of which cannot be determined until they are settled. At December 31, 1984, most of the claims outstanding are not expected to have a result which would be significant in relation to the financial position of the Corporation. However, during 1982 a large number of actions were begun against the Corporation jointly with other parties claiming damages arising from installation of urea formaldehyde foam insulation, which total approximately $48 million. The Corporation does not admit liability in these cases but, until the actions have been heard by the courts, it is impossible to determine if there is a potential liability in this respect and thus no provision for possible loss arising from these legal actions is included in these financial statements. Should costs arise as a result of these actions they would be expensed in the year when the costs are incurred.

5. Interest Loss Recoveries

The Corporation was authorized by the Government of Canada to approve certain NHA loans at a negative interest margin and to recover this loss from the Government. The interest loss recovered on loans and federal-provincial agreements is included in interest earnings. The recoveries by program are as follows:

	1984	1983
	(in millions of dollars)	
Market Housing	50.0	37.4
Social Housing	19.3	19.1
Rehabilitation and Conservation		.1
Community Services	1.3	1.3

6. Services to Others

The major components of services to others are: delivery of Canadian Home Insulation Program grants on behalf of Energy, Mines and Resources, inspections and administration of mortgages for third parties.

7. Administrative Expenses

Gross administrative expenses for the year ended December 31, 1984 amounted to $176.7 million (1983—$173.5 million). Of this total, $47.7 million pertains to the Corporate Account, (1983—$47.2 million).

8. Commitments

Commitments outstanding for investments under federal-provincial agreements and loans amounted to $600 million at December 31, 1984 (1983—$800 million).

9. Comparative Figures

The 1983 comparative figures have been reclassified to conform to the statement presentation adopted in 1984.

CORPORATE ACCOUNT

LOANS AND INVESTMENTS
(in thousands of dollars)

SCHEDULE I

	Balance December 31		Additions during the year	
	1984	1983	1984	1983
Market Housing				
Loans	2,074,299	2,149,874	135,896	125,920
Federal-provincial agreements	81,087	90,891		2
Real estate	14,642	23,441	2,911	3,752
Agreements for sale and mortgages	42,682	51,527		
	2,212,710	2,315,733	138,807	129,674
Social Housing				
Loans	5,027,965	5,048,559	18,171	21,808
Federal-provincial agreements	1,235,161	1,094,600	149,392	143,829
Real estate	36,266	45,169	236	9,961
Agreements for sale and mortgages	19,475	19,768		
	6,318,867	6,208,096	167,799	175,598
Rehabilitation and Conservation				
Loans	160,519	164,658	186,252	172,758
Real estate	379	884	822	1,555
	160,898	165,542	187,074	174,313
Community Services				
Loans	1,358,453	1,387,067	13,155	44,645
Federal-provincial agreements	147,483	167,939	11,841	14,532
	1,505,936	1,555,006	24,996	59,177
Corporate Financing				
Real estate	22,575	20,670	7,032	10,976
Total	10,220,986	10,265,047	525,708	549,738

MINISTER'S ACCOUNT

STATEMENT OF EXPENDITURES AND RECOVERIES
(in thousands of dollars) STATEMENT G1

	Year ended December 31	
	1984	1983
Expenditures		
Mortgage Loan Insurance	367,500	
Market Housing	91,602	491,043
Social Housing	938,826	792,086
Rehabilitation and Conservation	212,551	336,982
Community Services	19,097	42,473
Research, Development, Demonstration and Information	7,562	9,895
Administrative Expenses	63,385	67,695
Total	1,700,523	1,740,174
Accounts receivable from the Minister, beginning of year	49,092	198,448
	1,749,615	1,938,622
Recoveries	1,727,797	1,889,530
Accounts receivable from the Minister, end of year	21,818	49,092

See accompanying notes.

ROBERT C. MONTREUIL
President

HAROLD S. PERRIE
Chief Accountant

MINISTER'S ACCOUNT

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 1984

1. Significant Accounting Policy

Expenditures made on behalf of the Minister responsible for the Corporation are recorded as recoverable when expenses are recognized.

2. Canadian Home Ownership Stimulation Plan (CHOSP)

The regulatory authority under which CHOSP payments were made was challenged in 1982 by a Co-Chairman of the Standing Joint Committee of the Senate and Commons on Regulations and Statutory Instruments. The objections relate to lack of specific government regulations covering such payments, and lack of security where the payments represent forgivable loans. However, it is the Corporation's opinion that the amounts are properly authorized and secured under the National Housing Act.

3. Contingent Liabilities

In the normal course of operations, the Corporation is subject to legal claims, the effect of which cannot be determined until they are settled. During 1982, a large number of legal actions were begun against the Corporation jointly with other parties claiming damages arising from installation of urea formaldehyde foam insulation, which total approximately $48 million at December 31, 1984. The Corporation does not admit liability in this respect and it is unclear whether costs, if any, arising from these actions could be charged to the Government of Canada. Thus, no provision for possible loss arising from these legal actions is included in the accompanying statement of account. Should costs arise as a result of these actions they would be expensed in the year when the costs are incurred.

4. Mortgage Loan Insurance

The expenditure for mortgage loan insurance is made up of loan forgiveness of $307.6 million and cash advances of $59.9 million.

5. Comparative Figures

The 1983 comparative figures have been reclassified to conform to the statement presentation adopted in 1984.

FUNDS ADMINISTERED—
MORTGAGE INSURANCE FUND

BALANCE SHEET AS AT DECEMBER 31, 1984
(in thousands of dollars)

STATEMENT F1

ASSETS	1984	1983
Accounts Receivable		
Canada Mortgage and Housing Corporation	1,767	
Other	11,340	14,109
	13,107	14,109
Short-Term Securities		32,106
Mortgages	110,125	124,680
Real Estate		
At Cost	315,326	275,901
Provision for revaluation	166,145	124,707
	149,181	151,194
	272,413	322,089

LIABILITIES	1984	1983
Accounts Payable and Accrued Liabilities	5,234	17,416
Provision for Loss on Claims	394,942	141,350
Unearned Premiums	214,500	174,373
Premium Deficiency	384,000	196,905
Due to Canada Mortgage and Housing Corporation		6,308
Borrowings from the Government of Canada	59,900	298,980
	1,058,576	835,332
Deficit	786,163	513,243
	272,413	322,089

See accompanying notes.

ROBERT C. MONTREUIL
President

HAROLD S. PERRIE
Chief Accountant

FUNDS ADMINISTERED—
MORTGAGE INSURANCE FUND

STATEMENT OF OPERATIONS AND DEFICIT
(in thousands of dollars)

STATEMENT F2

	Year ended December 31	
	1984	1983
Revenue		
Premiums	66,833	54,536
Application fees	15,752	17,071
Interest	13,364	16,389
Total Revenue	95,949	87,996
Expenses		
Insurance issuance	41,612	38,626
Loss on claims	423,833	191,170
Interest	23,929	41,481
	489,374	271,277
Adjustment to premium deficiency	187,095	77,012
Total Expenses	676,469	348,289
Loss before Recovery	580,520	260,293
Recovery of Losses	307,600	
Net Loss	272,920	260,293
Deficit, beginning of year	513,243	252,950
Deficit, end of year	786,163	513,243

See accompanying notes.

FUNDS ADMINISTERED—
MORTGAGE INSURANCE FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION
(in thousands of dollars)

STATEMENT F3

	Year ended December 31	
	1984	1983
Source of Cash		
Operations		
Proceeds from real estate sales	220,756	288,242
Premiums	106,960	97,833
Application fees	15,752	17,071
Interest	13,728	16,948
	357,196	420,094
Mortgage repayments	19,859	19,160
Advances from Canada Mortgage and Housing Corporation		28,427
Short-term securities cashed	32,089	3,586
Borrowings from the Government of Canada	387,800	
	796,944	471,267
Application of Cash		
Operations		
Claims	356,497	295,869
Real estate operations	23,099	32,602
Administrative charges	65,608	58,481
Interest	34,065	44,315
	479,269	431,267
Payments to Canada Mortgage and Housing Corporation	8,075	
Repayment of borrowings from the Government of Canada	309,600	40,000
	796,944	471,267

See accompanying notes.

FUNDS ADMINISTERED—
HOME IMPROVEMENT LOAN INSURANCE FUND

BALANCE SHEET AS AT DECEMBER 31, 1984
(in thousands of dollars)

ASSETS	1984	1983	LIABILITIES	1984	1983
Cash and Investment in Securities	7,592	6,945	Due to Canada Mortgage and Housing Corporation	7	18
Mortgages	13	22	Unearned Premiums	8	17
			Surplus	7,590	6,932
	7,605	6,967		7,605	6,967

See accompanying notes.

ROBERT C. MONTREUIL
President

HAROLD S. PERRIE
Chief Accountant

FUNDS ADMINISTERED—
HOME IMPROVEMENT LOAN INSURANCE FUND

STATEMENT OF OPERATIONS AND SURPLUS
(in thousands of dollars) STATEMENT F4

	Year ended December 31	
	1984	1983
Revenue		
Premiums	10	18
Recoveries on claims paid	69	49
Interest	697	633
Income from mortgages	1	2
Total Revenue	777	702
Expenses		
Claims and administrative charges	119	162
Net Income	658	540
Surplus, beginning of year	6,932	6,392
Surplus, end of year	7,590	6,932

See accompanying notes.

FUNDS ADMINISTERED—
RENTAL GUARANTEE FUND

BALANCE SHEET AS AT DECEMBER 31, 1984
(in thousands of dollars)

ASSETS	1984	1983	LIABILITIES	1984	1983
Cash and Investment in Securities	21,148	19,254	Due to Canada Mortgage and Housing Corporation		7
Mortgage		10,075	Surplus	26,548	29,322
Real Estate					
At cost	10,579				
Provision for loss	5,179				
	5,400				
	26,548	29,329		26,548	29,329

See accompanying notes.

ROBERT C. MONTREUIL
President

HAROLD S. PERRIE
Chief Accountant

FUNDS ADMINISTERED—
RENTAL GUARANTEE FUND

STATEMENT OF OPERATIONS AND SURPLUS
(in thousands of dollars) STATEMENT F5

	Year ended December 31	
	1984	1983
Revenue		
Interest	1,904	1,745
Income from mortgages	519	1,164
Total Revenue	2,423	2,909
Expenses		
Loss on foreclosure	5,179	
Other	18	19
Total Expenses	5,197	19
Net Income	(2,774)	2,890
Surplus, beginning of year	29,322	26,432
Surplus, end of year	26,548	29,322

See accompanying notes.

FUNDS ADMINISTERED

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. Significant Accounting Policies

The principal accounting policies followed by the Corporation in administering the Insurance and Guarantee Funds are:

(a) Premiums

Premiums on insurance policies relate both to the risk insured and the costs of issuing the policy. The risk-related portion is deferred and taken into income as earned over the life of the related policies. The formulae under which the premiums are earned relate to the amount of risk in each year of coverage using risk factors established by the Federal Department of Insurance. The portion relating to issuance costs is taken into income as received.

(b) Application Fees

Application fees received on insurance policies are taken into income as received.

(c) Insurance Issuance Costs

Insurance issuance costs are expensed as incurred.

(d) Premium Deficiency

The premium deficiency represents the excess of estimated discounted costs on future claims over the amount of unearned premium revenue relating to the policies in force.

(e) Real Estate

Real estate is acquired upon the payment of a claim resulting from a loan default and is valued at net realizable value. Cost is comprised of the unpaid loan balance plus interest accrued to the date of acquisition together with acquisition and capital improvement expenditures. Net realizable value is calculated as the current appraised value of the property, as determined by the Corporation, less the discounted value of estimated selling, operating and interest holding costs. Depreciation is not recorded on the real estate.

(f) Provision for Loss on Claims

This provision represents the estimated loss on claims in the process of payment and the estimated loss on claims not yet reported to the Corporation.

(g) Interest Income and Expense

Interest income and expense are recorded on the accrual basis.

(h) Mortgages

Mortgages are shown net of a provision for losses.

(i) Income Tax

The Insurance and Guarantee Funds are not subject to the provisions of the Income Tax Act, Canada.

2. Borrowings from the Government of Canada—Mortgage Insurance Fund

The Corporation borrows from the Government of Canada, on behalf of the Fund, under provisions of Section 9 of the National Housing Act in order to meet the Fund's obligations. Borrowing arrangements were renegotiated in 1984 and pursuant to an Order-in-Council dated August 8, 1984, the balance of repayable advances outstanding cannot exceed $400 million. All advances received under the current borrowing arrangements are interest free and are secured by promissory notes due on demand. Borrowings outstanding at August 8, 1984, which bore interest at an average rate of 13%, were repaid and replaced by interest free advances of the same amount. In December 1984, borrowings of $307.6 million were forgiven as explained in Note 4.

3. Actuarial Valuation—Mortgage Insurance Fund

At September 30, 1984 an actuarial study of the Fund undertaken by the Corporation during the year disclosed that the Fund continues to be inadequate to pay all future claims in respect of business in force. The major causes of the deficit are programs of a social nature where inadequate premiums were charged (the Assisted Home Ownership and the Assisted Rental Programs) and the downturn in the Alberta economy. The deficit as at September 30, 1984, estimated to be $708 million, has accumulated to $786 million at December 31, 1984.

4. Recovery of Losses—Mortgage Insurance Fund

In December 1984, Parliament approved forgiveness of $307.6 million of debt owed by the Fund to the Government of Canada as partial reimbursement for the losses on the Assisted Home Ownership and Assisted Rental Programs. At December 31, 1984, the additional cash losses incurred on these two programs are estimated to be $324 million.

In 1985, the Corporation will request further reimbursement for losses incurred as a result of these programs.

5. Subsequent Event—Mortgage Insurance Fund

In January 1985, Orders-in-Council were approved that permitted the Corporation to raise fees and premiums charged by the Mortgage Insurance Fund.

6. Home Improvement Loan Insurance Fund and Rental Guarantee Fund

These two programs have been terminated and negotiations are underway concerning the disposal of the assets of these two Funds.

7. Insurance in Force—Mortgage Insurance Fund

At December 31, 1984, the insurance policies in force totalled approximately $38.3 billion (1983—$33.5 billion).

8. Administrative Expenses—Funds Administered

The administrative expenses charged to the Funds by the Corporation for the year ended December 31, 1984 amounted to $65.6 million (1983—$58.6 million).

9. Comparative Figures

The 1983 comparative figures have been reclassified to conform to the statement presentation adopted in 1984.

SUMMARY PAGE

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.

MANDATE

To construct in the National Capital Region the National Gallery, the National Museum of Man and any other museum which the Governor in Council may direct.

BACKGROUND

The main structures of the corporation's two projects are scheduled for completion in 1986-87.

CORPORATION DATA

HEAD OFFICE	55 Murray Street Ottawa, Ontario K1N 5M3
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Roch La Salle, P.C., M.P.
DEPARTMENT	Public Works
DATE AND MEANS OF INCORPORATION	Letters patent (No. 0132114) June 21, 1982, under the *Canada Business Corporations Act*.
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	M.A.J. Lafontaine
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	1983-84	1982-82
At the end of the period			
Total Assets	50.1	15.5	3.5
Obligations to the private sector	nil	nil	nil
Obligations to Canada	nil	nil	nil
Equity of Canada	44.8	13.4	2.6
Cash from Canada in the period			
— budgetary	31.5	10.8	2.6
— non-budgetary	nil	nil	nil

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.

AUDITOR'S REPORT

THE HONOURABLE ROCH LASALLE, P.C., M.P.
MINISTER OF PUBLIC WORKS

I have examined the balance sheet of Canada Museums Construction Corporation Inc. as at March 31, 1985 and the statement of changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations and the articles and by-laws of the Corporation.

I wish to bring to your attention that, as described in Note 1, the Corporation has not made any provision for the cost of the sites in its funding proposals. Although construction is in progress, no final agreement for the licence of occupation has been obtained for the site of the National Museum of Man. In addition, some portions of the sites for the two museums are not federally owned. The Note also states that the Corporation, in its planning documents, has estimated funding shortages of approximately $53 million. To date, Treasury Board has not accepted the Corporation's proposal regarding the additional funding for the two projects. In my opinion, without resolution of the funding requirement, it is unlikely that the two museums can be made fully operational in accordance with the building concepts and schedules as originally approved by Cabinet.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 21, 1985

BALANCE SHEET AS AT MARCH 31, 1985
(in thousands of dollars)

ASSETS	1985	1984
Cash and short-term deposits	4,025	1,406
Accounts receivable (Note 9)	88	195
Construction in progress (Schedule)	45,971	13,869
	50,084	15,470

LIABILITIES	1985	1984
Accounts payable and accrued liabilities	5,237	2,118
SHAREHOLDERS' EQUITY		
Capital stock (Note 3)		
Contributed capital (Note 4)	44,847	13,352
	50,084	15,470

Approved by the Board:

MAURICE A. J. LAFONTAINE
Chairman and Chief Executive Officer

JEAN E. PIGOTT
Director

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Source of funds		
Contributed capital (Note 4)	31,495	10,776
Accounts receivable	107	
Accounts payable and accrued liabilities	3,119	1,203
	34,721	11,979
Application of funds		
Construction in progress (Schedule)	32,102	11,180
Accounts receivable		45
	32,102	11,225
Increase in funds	2,619	754
Cash and short-term deposits		
Beginning of year	1,406	652
End of year	4,025	1,406

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. Authority and activities

The Corporation was incorporated on June 21, 1982 under the Canada Business Corporations Act as an agent of Her Majesty pursuant to the Government Companies Operations Act, and was named as a parent Crown corporation on February 7, 1985 in Schedule C, Part I of the Financial Administration Act. Two-thirds of the capital stock is held by the Canada Lands Company Limited, also a parent Crown corporation. On May 16, 1985 one-third was transferred from the Minister of Communications to the Minister of Public Works.

The business of the Corporation is limited to construction, in the National Capital Region, of buildings for the National Gallery of Canada (NGC), the National Museum of Man (NMM) and any other national museum which the Governor in Council may direct, including the acquisition, control, administration and disposal of land required for the construction.

In September 1981, the Cabinet Committee on Priorities and Planning allocated $185 million for the two projects. This has now been revised to $191.45 million for the period to March 31, 1987 as follows:

	NGC	NMM	Total
	(in millions of dollars)		
Construction	84.75	77.90	162.65
Architects and consultants	7.50	9.50	17.00
	92.25	87.40	179.65
Administration expenses	5.90	5.90	11.80
	98.15	93.30	191.45

In November 1983, the Cabinet approved the construction sites, architects and building concepts as developed by the architects and the long-term forecast of the building schedule and funding requirements for each museum. No provision was made for the cost of the sites.

- Building sites

  Major portions of the sites for the two museums are federally owned with the legal title to the lands currently belonging to the National Capital Commission. Negotiations to resolve the issue of legal title to parts of the sites that are not federally owned are currently underway. Although construction is in progress, no final agreement for the licence of occupation has been granted by the Commission for the site of the National Museum of Man.

- Funding requirements

  On May 25, 1984, the Corporation announced that it had obtained Cabinet approval to launch a fund-raising drive with a target of raising $24 million from the private sector for improvement in the two museums.

  Subsequent to the change in government in September 1984, a task force was convened in December 1984 by the Minister of Communications to review costs and develop options for cost reductions. In its report issued in February 1985, the task force arrived at options for reducing the costs of each project.

  In its planning documents submitted to Treasury Board in March 1985, the Corporation estimated funding shortages of approximately $36 million to March 31, 1987, and indicated that new funding would be required for this amount (including $8.15 million for items previously identified as exclusions) to complete the two projects. In addition, a further $17.1 million was also estimated as a future requirement for construction contingencies, landscaping and furnishings for public areas. The total funding shortfall was estimated at $53 million. To date, Treasury Board has not accepted the proposals regarding the additional funding for the two projects.

  On April 26, 1985, the Minister of Communications directed the Corporation to adopt certain recommendations of the task force report and authorized an additional amount of $14.1 million, subject to Treasury Board approval.

- Change of responsibility

  On May 16, 1985 the President of the Treasury Board announced that the Department of Public Works would assume responsibility for the construction of the two federal museums and that the Corporation would be dissolved in an orderly manner. The following Orders in Council were issued:

  (a) The Minister of Public Works was designated as the appropriate Minister with respect to the Corporation, and the one-third share of the Corporation held by the Minister of Communications and the control of the Corporation were transferred to the Minister of Public Works.

  (b) The Deputy Minister of Public Works was appointed chairman and chief executive officer of the Corporation and two senior Public Works officials were appointed Directors of the Corporation.
  The Minister of Public Works has directed that an immediate review of the budgets and construction schedules for the two projects be undertaken.

On May 23, 1985 a resolution was passed by the Board of Directors of the Corporation seeking Governor in Council authority to change the status of the Corporation under the Financial Administration Act from a parent Crown corporation to that of a wholly-owned subsidiary of the Canada Lands Company Limited.

2. Significant accounting policies

(a) Basis of accounting

These financial statements account for the costs incurred by the Corporation in the construction of the museums. They do not account for costs incurred by the National Capital Commission for sites or by the National Museums of Canada for accommodations planning and fit-ups.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

(b) Capitalization

All expenditures, including those for site evaluation, design, construction and administration will be capitalized until the museums are completed. Interest and other income is credited to construction in progress. Costs are allocated direct to each museum when they can be specifically identified. All other costs are allocated equally to the two museums.

3. Capital stock

Three shares are authorized and issued at $1 per share and shall not be transferred without the approval of the Governor in Council.

4. Contributed capital

During the year funding of $31.495 million (Vote 20) was provided through the estimates of the Department of Public Works for the expenditures of the Corporation (1984 $10.776 million, Vote 11 C).

	1984-85	1983-84
	(in thousands of dollars)	
Opening balance	13,352	2,576
Funds provided through the estimates	31,495	10,776
Ending balance	44,847	13,352

5. Pension plans

The Corporation has entered into an agreement with one of its officers to provide him with supplementary pension benefits. Provided all terms and conditions of his employment agreement are fulfilled, the officer shall receive upon termination of employment on March 31, 1987, an annual pension of $35,000, inclusive of pension funds transferred from previous employment, indexed to the greater of the cost of living or 6%. As at March 31, 1985, $225,000 had been fully funded by the Corporation which, including accrued interest, should be sufficient to meet the future obligation.

In addition, the Corporation has instituted, with a private sector organization, a contributory pension plan covering all its regular employees. The employees and the Corporation contribute equally to the cost of the plan. The Corporation's contributions represent its total liability and are recognized in the accounts on a current basis.

Pension costs for these plans amounted to $102,745 for the year ended March 31, 1985 (1984—$54,000).

6. Contractual obligations

As at March 31, 1985, commitments for construction and related costs amounted to approximately $35.8 million as follows:

	(in thousands of dollars)
National Gallery of Canada	21,415
National Museum of Man	14,428
	35,843

7. Lease commitment

The Corporation has entered into a lease agreement for office space. Under the terms of the lease the future minimum rental payments are as follows:

	(in thousands of dollars)
1985-86	540
1986-87	540
	1,080

8. Contingencies and claims

The cities of Ottawa and Hull are seeking building permit fees and development charges from the Corporation in the amount of $1.2 million. The Corporation has adopted the opinion of its legal counsel and does not intend to pay these fees and charges. In addition, the Corporation has received claims from contractors, architects, engineers and others amounting to approximately $3.6 million.

Because the Corporation is unable to assess the likelihood of its having to make payments in respect of these claims or assessments, no provision has been made in these financial statements.

9. Related party transaction

During the year, the Corporation billed to the Department of Public Works an amount of $600,000 for costs relating to the construction of a utility tunnel under the National Gallery site. Included in the accounts receivable balance at March 31, 1985 is an amount due from the Department of Public Works for $60,000.

10. Subsequent event

On May 31, 1985 the Board of Directors passed a resolution, concurred to by the Minister of Public Works, to pay the design architect of the National Museum of Man an amount not to exceed $512,000 for additional costs. Of this amount, $200,000 was accrued in the accounts as at March 31, 1985 and was subsequently paid. This resolution calls for remaining payments to be made as the work progresses.

11. Administration expenditures

The Corporation incurred the following administration expenditures which have been allocated equally to each Museum on the Schedule of Construction in Progress:

	1984-85	1983-84
	(in thousands of dollars)	
Salaries and employee benefits	1,463	1,046
Professional and special services	294	447
Office accommodation	253	351
Travel and transportation	174	174
Communication	155	95
Office furniture and equipment	126	196
Public information	81	91
Rental of equipment	79	62
Utilities, material and supplies	78	86
Other	13	10
	2,716	2,558

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Concluded*

SCHEDULE OF CONSTRUCTION IN PROGRESS
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	National Gallery of Canada			National Museum of Man			Total		
	Cumulative to March 31, 1984	Expenditures 1985	Cumulative to March 31, 1985	Cumulative to March 31, 1984	Expenditures 1985	Cumulative to March 31, 1985	Cumulative to March 31, 1984	Expenditures 1985	Cumulative to March 31, 1985
Site evaluation	108		108	108		108	216		216
Architects and consultants	3,071	2,810	5,881	2,830	3,489	6,319	5,901	6,299	12,200
Construction managers	419	989	1,408	509	807	1,316	928	1,796	2,724
Other construction costs	2,262	13,534	15,796	542	8,591	9,133	2,804	22,125	24,929
	5,860	17,333	23,193	3,989	12,887	16,876	9,849	30,220	40,069
Administration (Note 11)	2,127	1,358	3,485	2,127	1,358	3,485	4,254	2,716	6,970
	7,987	18,691	26,678	6,116	14,245	20,361	14,103	32,936	47,039
Less: interest income	117	417	534	117	417	534	234	834	1,068
	7,870	18,274	26,144	5,999	13,828	19,827	13,869	32,102	45,971

SUMMARY PAGE

CANADA PORTS CORPORATION

MANDATE

Planning and coordinating the development of the 15 ports and harbours previously administered by the National Harbours Board to achieve the objectives of the national ports policy and support Canadian international trade objectives, as well as other social and economic objectives. The corporation is also responsible for the direct administration, management and control of the ports and harbours not granted local port corporation status.

BACKGROUND

The corporation was established in 1983 with responsibility for the 15 ports and harbours across Canada that previously fell under the jurisdiction of the National Harbours Board. Subsequently, local port corporations were established at Montreal and Vancouver (in July 1983) at Halifax, Quebec and Prince Rupert (in June of 1984) and at St. John's (in June of 1985). These corporations are now operating with a high degree of local autonomy.

CORPORATION DATA

HEAD OFFICE	Tower A, Place de Ville 320 Queen Street Ottawa, Ontario, K1A 0N6
STATUS	— Schedule C, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	*National Harbours Board Act,* R.S.C., 1970, C. N-8, s.3; reconstituted by the *Canada Ports Corporation Act,* S.C. 1980-81-82-83, C. 121, s.1 (proclaimed February 24, 1983)
CHIEF EXECUTIVE OFFICER	Denis de Belleval
CHAIRMAN	Ronald Huntington
AUDITOR	Touche Ross and Co.

FINANCIAL SUMMARY* ($ million) The financial year is the calendar year.

	1984	**1983**
At the end of the year		
Total Assets	245.1	445.8
Obligations to the private sector	nil	nil
Obligations to Canada	105.2	216.5
Equity of Canada	105.6	185.9
Cash from Canada in the year		
— budgetary	35.0	23.8
— non-budgetary	4.9	7.1

* Assets and related liabilities of this corporation have been transferred to new local port corporations.

CANADA PORTS CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DONALD MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of Canada Ports Corporation as at December 31, 1984 and the statements of income, deficit, contributed capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

TOUCHE ROSS & CO.
Chartered Accountants

Winnipeg, Canada
March 11, 1985

BALANCE SHEET AS AT DECEMBER 31, 1984
(in thousands of dollars)

ASSETS	1984	1983
Current		
Cash	894	1,356
Investments (Note 4)	59,134	92,814
Accounts receivable	4,116	13,405
Due from Canada	3,468	2,017
Materials and supplies	530	756
	68,142	110,348
Long-term		
Investments (Note 4)	19,973	26,476
Amounts receivable		238
	19,973	26,714
Investment in Ridley Terminals Inc. (Note 5)	19,733	19,271
Fixed (Note 7)	137,321	289,510
	245,169	445,843

LIABILITIES	1984	1983
Current		
Accounts payable and accrued liabilities (Note 8)	14,607	19,195
Grants in lieu of municipal taxes	678	2,031
	15,285	21,226
Long-term		
Accrued employee benefits	1,562	3,506
Financing provided by a province (Note 9)	18,596	19,406
Loans from Canada (Note 10)	104,110	166,617
Recoverable contribution from Canada (Note 11)		49,152
	124,268	238,681
EQUITY OF CANADA		
Contribution from Canada (Note 13)	20,072	20,072
Contributed capital	142,319	322,385
Deficit	56,775	156,521
	85,544	165,864
	245,169	445,843

On behalf of the Board:

A.R. HUNTINGTON
Chairman

MICHAEL W. SWINWOOD
Acting President and Chief Executive Officer

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Revenue from operations	27,229	28,623
Operating and administrative expenses	18,530	19,703
Depreciation	6,651	6,005
Grants in lieu of municipal taxes	2,317	2,348
Interest expense	3,568	3,053
	31,066	31,109
Net loss from operations	(3,837)	(2,486)
Investment income	8,160	7,713
Net income before the undernoted items	4,323	5,227
Net income of ports established as local port corporations (Note 3)	2,866	22,714
Unusual item (Note 14)		(11,800)
Share in loss of Ridley Terminals Inc. (Note 5)	(2,697)	
Net income	4,492	16,141

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Deficit at beginning of the year	156,521	185,542
Net income	4,492	16,141
	152,029	169,401
Deficit assumed by local port corporations (Note 3)	(95,254)	(80,316)
Surplus transferred to a local port corporation (Note 3)		67,436
Deficit at end of the year	56,775	156,521

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Contributed capital at beginning of the year	322,385	349,361
Contributed capital transferred to local port corporations (Note 3)	(180,066)	(26,976)
Contributed capital at end of the year	142,319	322,385

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Funds provided		
Operations		
Net income	4,492	16,141
Items not requiring an outlay of funds		
Depreciation	7,981	13,572
Deferred interest	2,392	1,855
Unusual item		11,800
Share in loss of Ridley Terminals Inc.	2,697	
Other	(241)	1,343
	17,321	44,711
Loans from Canada	4,881	7,110
Recoverable contribution from Canada	106	8,379
Capital grants	34,880	15,425
Proceeds on sale of long-term investments		5,076
Other	242	77
	57,430	80,778
Funds employed		
Additions to fixed assets	43,516	54,615
Investment in Ridley Terminals Inc.—Net	3,159	14,942
Loans from Canada currently payable	1,112	747
Reduction in financing provided by a province	810	1,204
	48,597	71,508
Increase in working capital before transfers to local port corporations	8,833	9,270
Working capital transferred to local port corporations (Note 3)	(45,098)	(65,972)
Decrease in working capital	(36,265)	(56,702)
Working capital at beginning of the year	89,122	145,824
Working capital at end of the year	52,857	89,122

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. Canada Ports Corporation Act

Canada Ports Corporation is established under the Canada Ports Corporation Act. The Act provides for the establishment of local port corporations to manage and operate selected ports. The Corporation is named in Part II of Schedule C of the Financial Administration Act and is exempt from income tax.

2. Significant accounting policies

(a) Financial statements

The financial statements of the Corporation include the accounts of all the ports and other facilities under its administration. The activities of the local port corporations are excluded from the financial statements from the date of their establishment.

(b) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(c) Investment in Ridley Terminals Inc.

The investment in Ridley Terminals Inc. is accounted for on the equity basis.

(d) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

(e) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(f) Insurance

The Corporation assumes substantially all risks against fire and general perils, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

(g) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(h) Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

(i) Interest on contribution from Canada

Interest on the contribution from Canada is reflected in the financial statements in the year paid as it is contingent upon the receipt of dividends from Ridley Terminals Inc.

3. Local Port Corporations

Effective June 1, 1984, the Port of Halifax, the Port of Québec and the Port of Prince Rupert were established as local port corporations under the names of Halifax Port Corporation, Port of Québec Corporation and Prince Rupert Port Corporation. The Port of Montréal and the Port of Vancouver had been previously established as local port corporations on July 1, 1983 under the names of Montréal Port Corporation and Vancouver Port Corporation.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred to the local port corporations at their carrying value in the accounts of the Corporation as follows:

	1984	1983
	(in thousands of dollars)	
Assets		
Working capital	45,098	65,972
Long-term investments	6,589	50,364
Long-term amounts receivable	245	6,309
Fixed	152,425	246,058
	204,357	368,703
Liabilities		
Long-term accrued employee benefits	1,619	6,092
Loans from Canada	68,668	348,515
Recoverable contribution from Canada	49,258	
	119,545	354,607
Equity		
Contributed capital	180,066	26,976
Deficit	(95,254)	(80,316)
Surplus		67,436
	204,357	368,703

The statement of income includes the results of operations of the Port of Halifax, the Port of Québec and the Port of Prince Rupert for the five month period ended May 31, 1984 and for the year ended December 31, 1983, and the results of operations of the Port of Montréal and the Port of Vancouver for the six month period ended June 30, 1983 as follows:

	1984	1983
	(in thousands of dollars)	
Revenue from operations	13,487	100,418
Operating and administrative expenses	10,073	77,015
Depreciation	1,330	7,567
Grants in lieu of municipal taxes	1,262	4,690
Interest expense		462
	12,665	89,734
Net income from operations	822	10,684
Investment income	2,044	12,030
Net income of ports established as local port corporations	2,866	22,714

4. Investments

Investments, which are direct and guaranteed securities of Canada, are:

	1984		1983	
	(in thousands of dollars)			
	Cost	Market Value	Cost	Market Value
Current	59,134	59,360	92,814	92,597
Long-term	19,973	20,015	26,476	25,794

5. Investment in Ridley Terminals Inc.

Ridley Terminals Inc. (RTI) was incorporated in December 1981, under the Canada Business Corporations Act to develop, manage and operate a coal terminal on Ridley Island at the Port of Prince Rupert. The Pre-Incorporation Agreement between Canada Ports Corporation (the Corporation) and the other shareholder, Fednav Limited, stipulates that at least 90% of the common shares of RTI shall be allotted and issued to the Corporation and that the Corporation shall acquire class A preference shares equal in value to the class B preference shares issued to the other shareholder.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Continued*

The investment in Ridley Terminals Inc. is composed of:

	1984	1983
	(in thousands of dollars)	
Balance at beginning of the year	19,271	4,329
Investment in shares	3,450	15,042
Elimination of inter-company charges	(291)	(100)
Share in loss	(2,697)	
Balance at end of the year	19,733	19,271

At December 31, 1984, the Corporation had acquired, at a cost of $23,021,400, 90% of the issued common shares ($900) and 100% of the class A preference shares ($23,020,500) of RTI. These class A preference shares carry a fixed cumulative dividend at a rate of 18% per annum. As at December 31, 1984, Fednav Limited had acquired, at a cost of $23,020,600, 10% of the issued common shares ($100) and 100% of the class B preference shares ($23,020,500) of RTI. These class B preference shares carry a fixed cumulative dividend at a rate of 20% per annum after taxes.

A summary of the balance sheet of RTI as reported in its audited financial statements shows:

	December 31, 1984	1983
	(in thousands of dollars)	
Assets		
Current	8,202	1,201
Deferred operating costs		2,465
Fixed	234,375	218,859
Other	100	108
	242,677	222,633
Liabilities		
Current	3,768	15,667
Bank loans and acceptances guaranteed by Canada	198,261	167,824
	202,029	183,491
Equity	40,648	39,142
	242,677	222,633

Preference dividends and related interest in arrears at December 31, 1984, are as follows:

	1984
	(in thousands of dollars)
Class A preference shares held by Canada Ports Corporation	7,196
Class B preference shares held by Fednav Limited	15,793
	22,989

The Corporation's investment in RTI is accounted for on the equity basis. Application of this method in years in which RTI has a deficit requires that the Corporation recognize a share of the results of operations of RTI equal to its participation in the total equity in RTI which, at December 31, 1984, was 50%. In years in which RTI has retained earnings, the Corporation's share of the results of operations will be proportionate to its shareholding in common shares, after recognizing the dividend requirements of the two classes of preference shares.

RTI became operational September 1, 1984. The results of its operations for the four month period ended December 31, 1984, are as follows:

	1984
	(in thousands of dollars)
Revenue from operations	10,291
Operating and administrative expenses	5,242
Depreciation	2,255
Interest expense	8,188
	15,685
Net loss	5,394

RTI has negotiated an $80,000,000 revolving credit bank loan, secured by the assets of RTI, for financing operations. As at December 31, 1984, there were no drawdowns of this credit facility.

6. Debentures of Saint John Harbour Bridge Authority

The Saint John Harbour Bridge Authority is indebted in the amount of $14,355,000 (1983—$14,447,000) to the Corporation which in turn is indebted to Canada in the same amount, in accordance with the provisions of Vote L106B, Appropriation Act No. 7, 1967, 1967-68, c.8. The interest and repayment terms of the parliamentary advances to the Corporation are identical to those of the debentures of the Authority. Under the terms of the agreement between Canada and the Authority, Canada has, in effect, guaranteed the repayment of both principal and interest on the debentures. Therefore, both the debentures received and advances and loans payable to Canada have been offset against each other and are not reflected as a separate asset and liability on the balance sheet. Interest income and expense of $985,000 (1983—$991,000) have been similarly offset and do not appear in the statement of income.

On July 9, 1981, Treasury Board agreed to the transfer of the responsibility for the administration of the indebtedness of Saint John Harbour Bridge Authority as well as the equivalent loan payable to Canada from the accounts of the Corporation to those of Transport Canada. As at December 31, 1984, this transfer had not been completed.

7. Fixed assets

(a) Summary

	1984				1983
	Depreciation rates %	Cost	Accumulated depreciation	Net	Net
		(in thousands of dollars)			
Land		38,843		38,843	75,735
Dredging	2.5-6.7	11,297	5,678	5,619	7,282
Berthing structures	2.5-10	101,940	43,425	58,515	82,749
Buildings	2.5-10	33,512	19,435	14,077	32,316
Utilities	3.3-10	10,446	3,526	6,920	12,013
Roads and surfaces	2.5-10	7,173	4,997	2,176	9,440
Machinery and equipment	5-100	22,200	14,742	7,458	8,020
Office furniture and equipment	20	1,790	1,276	514	807
Works under construction		3,199		3,199	61,148
		230,400	93,079	137,321	289,510

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

(b) Capital grants

During the year, the Corporation received capital grants totalling $34,880,000 (1983—$15,425,000) towards the construction of capital projects of which $33,930,000 (1983—$10,549,000) was received from Canada.

(c) Capital expenditure commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $7,900,000, of which most will be expended in the year ending December 31, 1985.

8. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are the following:

	1984	1983
	(in thousands of dollars)	
Deferred revenues	1,003	2,179
Current portion of long-term liabilities	2,212	1,719

9. Financing provided by a province

The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal, Saint John, which is owned by the Corporation. Until the non-interest bearing advance is repaid, the Province will receive annual principal payments equal to 47% of the net operating income of the terminal.

10. Loans from Canada

	1984	1983
	(in thousands of dollars)	
Loans bearing interest at 6.44% to 15.625% with blended annual principal and interest repayment requirements of $4,732,000 and maturing between December 31, 1993 and 2002	29,470	25,336
Less: current portion (included in accounts payable and accrued liabilities)	1,112	747
	28,358	24,589
Deferred interest	4,247	1,855
Non-interest bearing loans with indefinite due date	55,609	108,250
Accrued interest on loans not due and payable	15,896	31,923
	104,110	166,617

Loans of $19,154,000 from Canada for the construction of new terminal facilities for the Port of Saint John bear interest at rates of between 11.0% and 15.6%. Payment of the interest on these loans is deferred until construction is completed (October 1985) and then repayment is to be over a period of ten years.

Principal repayment requirements over the next five years amount to $1,112,000 in 1985, $1,241,000 in 1986, $1,384,000 in 1987, $1,545,000 in 1988 and $1,725,000 in 1989.

11. Recoverable contribution from Canada

A recoverable contribution of $50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island, Port of Prince Rupert. The contribution was transferred to the Prince Rupert Port Corporation as at June 1, 1984.

12. Contingencies

Claims aggregating approximately $6,000,000 in respect of lawsuits, guarantees, employee agreements, damage allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

13. Contribution from Canada

In 1982, the Corporation received from Canada a contribution of $20,072,000 for the purchase of shares in Ridley Terminals Inc. The terms and conditions of repayment of the contribution are to be determined by Treasury Board and the Corporation prior to April 1, 1989.

Interest is to be calculated on the contribution at the average borrowing rate for Crown corporations in effect while the contribution is outstanding. The payment of principal and interest is contingent upon the receipt of dividends from Ridley Terminals Inc. Interest on this contribution will be reflected in the financial statements in the year paid. At December 31, 1984, the interest accumulated is approximately $7,200,000.

14. Unusual item

The unusual expense in 1983 results from the write-down of the cost of a pier to reflect the major future costs required to bring the pier back to a normal operating condition.

15. Subsequent event

In accordance with the Canada Ports Corporation Act, the petition for the establishment of a local port corporation at the Port of St. John's was approved during 1984. The local port corporation will be established when letters patent of incorporation are issued which is expected to be during 1985.

As at December 31, 1984, the port accounted for working capital of $4,863,000, surplus of $396,000, total assets of $14,688,000 and net income of $848,000 in the financial statements of the Corporation.

16. Comparative figures

The 1983 figures have been reclassified in order to conform with this year's presentation.

SUMMARY PAGE

CANADA POST CORPORATION

MANDATE

To establish and operate a postal service for the collection, transmission and delivery, both domestically and internationally, of messages, information, funds and goods. To manufacture and provide such products and services as are necessary or incidental to the postal service.

BACKGROUND

The *Canada Post Corporation Act* requires the corporation to fulfill its mandate while "improving and extending its products and services", having regard to "the need to conduct its operations on a self-sustaining financial basis". The corporation is also called upon to manage its human resources "in a manner that will both attain the objects of the Corporation and ensure the commitment and dedication of its employees".

CORPORATION DATA

HEAD OFFICE	Sir Alexander Campbell Building Confederation Heights Ottawa, Ontario K1A 0B1
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Michel Coté, P.C., M.P.
DEPARTMENT	Consumer and Corporate Affairs
DATE AND MEANS OF INCORPORATION	*Canada Post Corporation Act* (S.C. 1981, C. 54) proclaimed October 16, 1981.
CHIEF EXECUTIVE OFFICER	Donald H. Lander (Acting)
CHAIRMAN	René J. Marin
AUDITOR	Maheu Noiseux and the Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**	**1982-83**	**Oct. 16, 1981 to March 31, 1982**
At the end of the period				
Total Assets	2,370	2,403	2,260	2,203
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	1,602	1,645	1,638	1,669
Cash from Canada in the period				
— budgetary*	347	306	262	178
— non-budgetary	nil	nil	nil	nil

* Budgetary amounts do not include the special payments for cultural and other mails.

CANADA POST CORPORATION

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the financial statements and the integrity and objectivity of data contained therein. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's estimates and judgment.

Management has developed and maintains books of account, records, financial and management control and information systems and management practices. These are designed to provide reasonable assurance that assets are safeguarded and controlled, and transactions are in accordance with the Financial Administration Act and regulations as well as the Canada Post Corporation Act and by-laws of the Corporation. Internal audits are conducted to assess these systems and practices.

The Board of Directors appoints the Audit Committee which is composed of five directors, three of whom are not employees of the Corporation. The Audit Committee meets at least annually to review, and advise the Board of Directors with respect to, the financial statements and the annual auditors' report. The Audit Committee also oversees the internal audit activities of the Corporation and performs such other functions as are assigned to it.

The Corporation's external auditors, the Auditor General of Canada and Maheu Noiseux, examine the financial statements and report to the Minister responsible for Canada Post Corporation.

AUDITORS' REPORT

THE HONOURABLE PERRIN BEATTY, P.C., M.P.
MINISTER RESPONSIBLE FOR
CANADA POST CORPORATION

We have examined the balance sheet of Canada Post Corporation as at March 31, 1985 and the statements of equity of Canada, operations and Government funding and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Post Corporation Act and the by-laws of the Corporation.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

MAHEU NOISEUX
Chartered Accountants

Ottawa, Canada
June 12, 1985

BALANCE SHEET AS AT MARCH 31
(in thousands of dollars)

ASSETS	1985	1984
Current		
Cash	389,191	222,723
Accounts receivable		
Government of Canada	4,284	180,022
Foreign postal administrations	74,015	70,247
Other	9,782	13,413
Prepaid expenses	38,893	35,577
	516,165	521,982
Fixed (Notes 4 and 9)		
Land, buildings and equipment	1,747,204	1,714,872
Less accumulated depreciation	243,170	166,881
	1,504,034	1,547,991
Other		
Deferred employee termination benefits	349,714	333,511
National Postal Museum (Note 6)	1	1
	349,715	333,512
	2,369,914	2,403,485

LIABILITIES AND EQUITY OF CANADA	1985	1984
Current liabilities		
Accounts payable and accrued liabilities		
Government of Canada	31,747	39,224
Foreign postal administrations	5,659	7,401
Other	53,129	103,997
Salaries and benefits	134,686	100,785
Deferred revenues	124,037	112,696
Outstanding money orders	63,167	54,269
Deposits	6,240	6,110
	418,665	424,482
Employee termination benefits (Note 7)	349,714	333,511
EQUITY OF CANADA	1,601,535	1,645,492
	2,369,914	2,403,485

Contingent liabilities (Note 8)

Approved by the Board:

RENÉ J. MARIN
Chairman

IRVING R. GERSTEIN
Chairman, Audit Committee

STATEMENT OF EQUITY OF CANADA YEAR ENDED MARCH 31
(in thousands of dollars)

	1985	1984
Contributed capital		
At beginning of year	1,673,779	1,672,079
Parliamentary appropriation for special purposes (Note 9)	3,913	1,700
At end of year	1,677,692	1,673,779
Accumulated Government funding adjustment		
At beginning of year	28,287	33,969
Loss from operations	395,069	300,139
Government funding	(347,199)	(305,821)
At end of year	76,157	28,287
Equity of Canada	1,601,535	1,645,492

STATEMENT OF OPERATIONS AND GOVERNMENT FUNDING YEAR ENDED MARCH 31
(in thousands of dollars)

	1985	1984
Revenues		
Postage	2,119,123	2,026,707
International settlements	96,151	88,536
Philatelic and retail sales	21,396	20,229
Post Office box rentals	18,445	16,913
Money order fees	10,634	10,767
Other	8,849	14,199
	2,274,598	2,177,351
Cultural publication mailings subsidy (Note 10)	225,650	223,000
	2,500,248	2,400,351
Expenses		
Salaries and benefits	2,120,040	1,975,710
Transportation, travel and communications	337,888	316,619
Accommodation	149,812	143,862
Depreciation	77,287	71,025
Computer, security and professional services	51,532	38,860
International settlements	47,587	44,805
Materials and supplies	44,639	50,838
Commissions and fees	31,145	30,093
Advertising and publications	15,682	9,372
Rentals, repairs and maintenance	9,708	8,237
Other	9,997	11,069
	2,895,317	2,700,490
Loss from operations	395,069	300,139
Government funding adjustment (Note 11)	(47,870)	5,682
Government funding (Note 11)	347,199	305,821

STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED MARCH 31
(in thousands of dollars)

	1985	1984
Working capital derived from		
Government funding	347,199	305,821
Parliamentary appropriation for special purposes	7,584	4,710
Net proceeds on disposal of fixed assets	429	197
	355,212	310,728
Working capital applied to		
Operations		
Loss from operations	395,069	300,139
Less: depreciation, not involving an outlay of funds	77,287	71,025
	317,782	229,114
Additions to fixed assets	37,430	81,614
	355,212	310,728
Change in working capital		
Working capital at beginning and end of year	97,500	97,500

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1985

1. Incorporation

The Corporation was established by the Canada Post Corporation Act on October 16, 1981 to operate a postal service on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada. The Corporation is a Crown corporation included in Part I of Schedule C to the Financial Administration Act and is an agent of Her Majesty. The Corporation is exempt from income taxes.

The Canada Post Corporation Act provided that all the property, assets, rights, obligations and liabilities of the Post Office Department be transferred to the Corporation from the Government of Canada.

2. Rate regulation

The Canada Post Corporation Act provides that the Corporation may make regulations prescribing rates of postage that are fair and reasonable so as to provide revenue, together with any revenue from other sources, sufficient to defray the costs incurred by the Corporation in the conduct of its operations. The Corporation is required to publish each proposed regulation for interested persons to make representations to the Minister responsible for the Corporation, who thereafter submits the regulation to the Governor in Council for consideration and subsequent approval or refusal.

3. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles. A summary of the significant accounting policies of the Corporation follows:

(a) Fixed assets and depreciation

Land, buildings and equipment transferred from the Government of Canada on October 16, 1981 were recorded at their fair value at that date, determined as follows:

Land	—market value based on existing use
Buildings	—depreciated replacement cost
Plant equipment, vehicles and sales counter and office furniture and equipment	—depreciated replacement cost or original cost less estimated depreciation

The market value of land and the depreciated replacement cost of buildings transferred by the Government of Canada were determined by independent appraisals. Acquisitions subsequent to October 16, 1981 are recorded at cost.

Minor equipment, including mail bags and mail boxes, was recorded at an estimated depreciated replacement cost of $34,640,000 at October 16, 1981. No further depreciation is provided on this base amount. Subsequent acquisitions are expensed as purchased.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, which are generally as follows:

Buildings	30 and 40 years
Plant equipment	4 to 30 years
Vehicles	5 to 10 years
Sales counter and office furniture and equipment	5 to 20 years

(b) Employee termination benefits

Employees of the Corporation are entitled to specified termination benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment.

Until such time as the Corporation becomes self-sustaining (anticipated to be the year ending March 31, 1987), the present value of the projected costs of employee termination benefits is recorded in the accounts as a long-term liability offset by a deferred charge, since such costs will be recovered from future postal revenues and/or Government funding (Notes 7 and 11). The deferred costs are amortized and charged to operations on the same basis as the liability is paid and recovered from revenues and/or Government funding.

(c) Revenue recognition

Amounts received for which services have not been rendered prior to the end of the year are deferred.

(d) Parliamentary appropriations

The Government of Canada, through parliamentary appropriations, provides funding for certain operations of the Corporation as outlined in Notes 9, 10 and 11. The Corporation accounts for these parliamentary appropriations in operations of the year to which they relate. Parliamentary appropriations representing Government contributions are credited to equity of Canada. However, when capital items are funded under a government assistance program, the funding is applied to reduce the capital cost.

(e) Workers' compensation

The Corporation assumes all risks for workers' compensation claims. The estimated costs of such claims, as a result of injuries on duty, are recorded as expenses in the year of injury. All payments for injuries suffered by employees prior to October 16, 1981 are the responsibility of the Government of Canada, since they are the liability of the Department of Labour.

(f) Pension plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions, which amounted to $94,459,000 (1984—$91,229,000), represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for indexation payments under the Supplementary Retirement Benefits Act.

(g) Development costs

Development costs are charged to operations as incurred, unless the future market for and technical feasibility of a service or system are clearly defined and the recovery of the related costs can reasonably be regarded as assured. In such cases, costs incurred are deferred until implementation of the service or system. The deferred costs are amortized and charged to operations on a straight-line basis over the estimated useful life of the service or system.

(h) Foreign currency translation

Revenues and expenses relating to transactions with foreign postal administrations are translated into Canadian dollars at the exchange rates at the time of transaction. Amounts due to or from foreign postal administrations at the balance sheet date are translated at the then prevailing exchange rates. Gains or losses arising from translation of foreign currencies are included in operations.

4. Fixed assets

	1985			1984
	Cost or fair value	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Land	236,622		236,622	236,640
Buildings	952,181	119,042	833,139	849,505
Plant equipment	413,676	92,886	320,790	347,257
Vehicles	49,132	21,539	27,593	33,634
Mail bags, mail boxes and other	34,640		34,640	34,640
Sales counter and office furniture and equipment	60,953	9,703	51,250	46,315
	1,747,204	243,170	1,504,034	1,547,991

5. Development costs

During the year, the Corporation undertook major new development activity. The related costs, totalling $22,823,000 and attributable to electronic mail, production measurement and payroll systems, have been charged to operations.

6. National Postal Museum

The Corporation operates a museum which contains philatelic material, postal artifacts, a postal library and other postal memorabilia. Since these collections and books are not for resale and are of undetermined value, they have been recorded at a nominal amount of $1,000.

7. Employee termination benefits

At the time of incorporation on October 16, 1981, the Corporation assumed the liability related to termination benefits which had accrued to employees of the Post Office Department. In addition, the Corporation recognizes in the accounts the liability for benefits accruing to employees of the Corporation since October 16, 1981. The present value of these projected liabilities and the corresponding deferred charge remaining to be amortized and charged to operations at March 31, amounted to:

	1985	1984
	(in thousands of dollars)	
Accumulated to October 16, 1981	258,956	273,020
Accumulated subsequent to October 16, 1981	90,758	60,491
	349,714	333,511

The total charge to operations for employee termination benefits amounted to $20,958,000 (1984—$14,055,000).

8. Contingent liabilities

(a) Two complaints have been filed with the Canadian Human Rights Commission, alleging discrimination by the Corporation concerning work of equal value. A settlement with no retroactive effect has been reached with one claimant conditional upon approval by the Commission and ratification by the members of the bargaining unit. The second complaint is currently being reviewed within the Corporation and the outcome is not presently determinable. Settlement, if any, arising from the resolution of these matters, will be recovered in future postal rates (as determined in accordance with the Canada Post Corporation Act) and/or from the Government of Canada.

(b) Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and are dependent on future illness. The amount of accumulated sick leave entitlements which will become payable cannot reasonably be determined. Sick leave benefits are expensed as paid.

9. Parliamentary appropriation for special purposes

Appropriations for special purposes made to the Corporation by the Government of Canada have been allocated as follows:

	1985	1984
	(in thousands of dollars)	
Unexpended balance at beginning of year	3,114	
Parliamentary appropriation for special purposes	6,962	8,109
Total available	10,076	8,109
Credited to		
Equity of Canada (Government-directed relocation)	3,913	1,700
Fixed asset additions (Government assistance)	3,671	3,010
Operating expense		285
	7,584	4,995
Unexpended balance at end of year (in current liabilities)	2,492	3,114

10. Cultural publication mailings subsidy

The Government of Canada provides assistance to the publishing industry by making the following payments which compensate the Corporation for reduced postal revenue from that source:

	1985	1984
	(in thousands of dollars)	
Department of Labour	170,000	170,000
Department of Communications	55,650	53,000
	225,650	223,000

Management anticipates that this assistance will continue at a comparable level for the next year but at reduced levels thereafter.

11. Government funding

The Canada Post Corporation Act provides that where the annual revenues of the Corporation are insufficient to permit the Corporation to pay all its operating and income charges, the amount of the insufficiency shall be included in the form of a deficit appropriation in the next estimates laid before Parliament.

By arrangement with the Government of Canada, the annual deficit appropriation comprises the loss from operations as reflected in the Corporation's financial statements, adjusted for the difference between depreciation and capital expenditures.

12. Lease commitments

The Corporation leases certain facilities under operating leases which expire at various dates between 1986 and 2002. The Corporation's future minimum rental payments required under operating leases that have terms in excess of one year, are as follows:

	(in thousands of dollars)
1986	28,804
1987	23,869
1988	19,670
1989	17,222
1990	13,011
1991 to 2002	34,820
	137,396

13. Related party transactions

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements.

(a) Property Management

Under the terms of a property management arrangement with the Department of Public Works, the Corporation incurred the following:

	1985	1984
	(in thousands of dollars)	
(i) Operating and maintenance costs of the Corporation's buildings, excluding grants in lieu of property taxes	90,190	89,390
(ii) Leasing costs for third-party facilities	39,950	36,500
(iii) Occupancy costs for the use of certain Government of Canada buildings	16,010	16,100
(iv) Capital expenditures for facilities	23,440	13,980

(b) Financing

At the present time, the Corporation's receipts are deposited to the credit of the Corporation in the Consolidated Revenue Fund of the Government of Canada and its expenditures are paid out of the amounts held to its credit in this Fund. Where, at any time, the available revenues of the Corporation are not sufficient to pay all the operating and income charges as and when due, the Minister of Finance may, with approval, place at the disposal of the Corporation such amounts as may be required to enable the Corporation to meet all such charges. The Corporation is not charged interest, nor does it receive interest, on its balance in the Consolidated Revenue Fund.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

(c) Money orders

Funds received from the issue of money orders are held to the credit of the Corporation in the Consolidated Revenue Fund of the Government of Canada until required for redemption of the money orders. Interest is not received on the funds on deposit, nor is there a charge by the Government of Canada for expenses relating to the redemption of money orders.

(d) Other

In the normal course of business, the Corporation enters into various other transactions, such as the provision of postal services and the purchase of air and rail transportation, with the Government of Canada, its agencies and other Crown corporations.

AUDITORS' REPORT

THE HONOURABLE PERRIN BEATTY, P.C., M.P.
MINISTER RESPONSIBLE FOR
CANADA POST CORPORATION

We have examined the balance sheet of Canada Post Corporation as at March 31, 1984 and the statements of equity of Canada, operations and Government funding and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements give a true and fair view of the financial position of the Corporation as at March 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for employee termination benefits as described in Note 4 to the financial statements, on a basis consistent with that of the preceding year.

We further report that, in our opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under our notice have been within its statutory powers.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

MAHEU NOISEUX
Chartered Accountants

Ottawa, Canada
October 5, 1984

BALANCE SHEET
(in thousands of dollars)

ASSETS	March 31 1984	March 31 1983 (restated)
Current		
Cash	222,723	303,959
Accounts receivable		
Government of Canada	180,022	
Foreign postal administrations	70,247	77,168
Other	13,413	2,206
Prepaid expenses	35,577	33,325
	521,982	416,658
Fixed (Notes 5 and 9)		
Land, buildings and equipment	1,714,872	1,637,375
Less: accumulated depreciation	166,881	96,766
	1,547,991	1,540,609
Other		
Deferred employee termination benefits	333,511	303,214
National Postal Museum (Note 6)	1	1
	333,512	303,215
	2,403,485	2,260,482

LIABILITIES	March 31 1984	March 31 1983 (restated)
Current		
Accounts payable and accrued liabilities		
Government of Canada	39,224	22,496
Foreign postal administrations	7,401	4,852
Other	103,997	54,582
Salaries and benefits	100,785	73,966
Deferred revenues	112,696	108,201
Outstanding money orders	54,269	49,174
Savings bank and other deposits	6,110	5,887
	424,482	319,158
Employee termination benefits (Note 7)	333,511	303,214
EQUITY OF CANADA	1,645,492	1,638,110
	2,403,485	2,260,482

Contingent liabilities (Note 8)

Approved by the Board:

RENÉ J. MARIN
Chairman

GEORGE A. COHON
Chairman, Audit Committee

STATEMENT OF EQUITY OF CANADA
(in thousands of dollars)

	Year ended March 31	
	1984	1983
Contributed capital		
At beginning of year as previously reported	1,684,279	1,683,124
Correction of accrued annual leave established at October 16, 1981	(12,200)	(12,200)
As restated	1,672,079	1,670,924
Parliamentary appropriation for special purposes	1,700	
Construction of buildings by the Department of Public Works		1,155
At end of year	1,673,779	1,672,079
Accumulated Government funding adjustment		
At beginning of year as previously reported	67,485	14,502
Adjustment of prior periods' employee termination benefits (Note 4)	(33,516)	(9,013)
As restated	33,969	5,489
Loss from operations	300,139	290,520
Government funding	(305,821)	(262,040)
At end of year	28,287	33,969
Equity of Canada	1,645,492	1,638,110

STATEMENT OF OPERATIONS AND GOVERNMENT FUNDING
(in thousands of dollars)

	Year ended March 31	
	1984	1983 (restated)
Revenues		
Postage	2,026,707	1,882,591
International settlements	88,536	95,884
Philatelic and retail sales	20,229	23,084
Post Office box rentals	16,913	15,426
Money order fees	10,767	10,529
Other	14,199	10,889
	2,177,351	2,038,403
Cultural publication mailings subsidy (Note 10)	223,000	220,000
	2,400,351	2,258,403
Expenses		
Salaries and benefits	1,975,710	1,859,067
Transportation, travel and communications	316,619	322,984
Accommodation	143,862	130,865
Depreciation	71,025	67,690
Materials and supplies	50,838	51,367
International settlements	44,805	38,973
Computer, security and professional services	38,860	30,998
Commissions and fees	30,093	27,299
Rentals, repairs and maintenance	8,237	8,560
Advertising and publications	9,372	5,171
Other	11,069	5,949
	2,700,490	2,548,923
Loss from operations	300,139	290,520
Government funding adjustment (Note 11)	5,682	(28,480)
Government funding (Note 11)	305,821	262,040

STATEMENT OF CHANGES IN FINANCIAL POSITION
(in thousands of dollars)

	Year ended March 31	
	1984	1983 (restated)
Working capital derived from		
Government funding	305,821	262,040
Parliamentary appropriation for special purposes (Note 9)	4,710	
Net proceeds on disposal of fixed assets	197	188
Construction of buildings by the Department of Public Works		1,155
	310,728	263,383
Working capital applied to		
Operations		
Loss from operations	300,139	290,520
Less: depreciation, not involving an outlay of funds	71,025	67,690
	229,114	222,830
Additions to fixed assets	81,614	40,553
	310,728	263,383
Change in working capital		
Working capital at beginning and end of year	97,500	97,500

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1984

1. Incorporation

The Corporation was established by the Canada Post Corporation Act on October 16, 1981 to operate a postal service on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada. The Corporation is a Crown corporation included in Schedule C to the Financial Administration Act and is an agent of Her Majesty. The Corporation is exempt from income taxes.

The Canada Post Corporation Act provided that all the property, assets, rights, obligations and liabilities of the Post Office Department be transferred to the Corporation from the Government of Canada.

2. Rate regulation

The Canada Post Corporation Act provides that the Corporation may make regulations prescribing rates of postage that are fair and reasonable so as to provide revenue, together with any revenue from other sources, sufficient to defray the costs incurred by the Corporation in the conduct of its operations. The Corporation is required to publish each proposed regulation for interested persons to make representations to the Minister responsible for the Corporation, who thereafter submits the regulation to the Governor in Council for consideration and subsequent approval or refusal.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1984—*Continued*

3. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles. A summary of the significant accounting policies of the Corporation follows:

(a) Fixed assets and depreciation

Land, buildings and equipment transferred from the Government of Canada on October 16, 1981 were recorded at their fair value at that date, determined as follows:

Land	— Market value based on existing use
Buildings	— Depreciated replacement cost
Plant equipment, vehicles and sales counter and office furniture and equipment	— Depreciated replacement cost or original cost less estimated depreciation

The market value of land and the depreciated replacement cost of buildings transferred by the Government of Canada was determined by independent appraisals. Acquisitions subsequent to October 16, 1981 are recorded at cost.

Minor equipment, including mail bags and mail boxes, was recorded at an estimated depreciated replacement cost of $34,640,000 at October 16, 1981. No further depreciation is provided on this base amount. Subsequent acquisitions are expensed as purchased.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, which are generally as follows:

Buildings	30 and 40 years
Plant equipment	4 to 30 years
Vehicles	5 to 10 years
Sales counter and office furniture and equipment	5 to 20 years

(b) Employee termination benefits

Employees of the Corporation are entitled to specified termination benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment.

Until such time as the Corporation becomes self-sustaining (anticipated to be the year ending March 31, 1987), the present value of the projected costs of employee termination benefits is recorded in the accounts as a long-term liability offset by a deferred charge, since such costs will be recovered from future postal revenues and/or Government funding (Notes 7 and 11). The deferred costs are amortized and charged to operations on the same basis as the liability is paid and recovered from revenues and/or Government funding.

(c) Revenue recognition

Amounts received for which services have not been rendered prior to the end of the year are deferred.

(d) Parliamentary appropriations

The Government of Canada, through parliamentary appropriations, provides funding for certain operations of the Corporation as outlined in Notes 9, 10 and 11. The Corporation accounts for these parliamentary appropriations in operations of the year to which they relate. Parliamentary appropriations in respect of capital items are credited to equity of Canada. However, when capital items are funded under a Government assistance program, the funding is applied to reduce the capital cost.

(e) Workers' compensation

The Corporation assumes all risks for workers' compensation claims. The estimated costs of such claims, as a result of injuries on duty, are recorded as expenses in the year of injury. All payments for injuries suffered by employees prior to October 16, 1981 are the responsibility of the Government of Canada, since they are the liability of the Department of Labour.

(f) Pension plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions, which amounted to $91,229,000 (1983 — $87,040,000), represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for indexation payments under the Supplementary Retirement Benefits Act.

(g) Foreign currency translation

Revenues and expenses relating to transactions with foreign postal administrations are translated into Canadian dollars at the exchange rates at the time of transaction. Amounts due to or from foreign postal administrations at the balance sheet date are translated at the then prevailing exchange rates. Gains or losses arising from translation of foreign currency transactions are included in operations.

4. Change in accounting policy

The manner in which the Corporation expenses employee termination benefits has been clarified. Consequently, the Corporation adopted the policy of deferring the present value of the projected cost of employee termination benefits arising from services provided subsequent to October 16, 1981 and amortizing these costs on the same basis as the liability is paid and recovered from revenues and/or Government funding. Previously, these costs were charged to operations as the benefits accrued to the employees. The effect of this change, which has been applied retroactively, is to reduce salaries and benefits expense by $26,975,000 (1983 — $24,503,000; 1982 — $9,013,000).

5. Fixed assets

	1984			1983
	Cost or fair value	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Land	236,640		236,640	234,719
Buildings	933,350	83,845	849,505	862,883
Plant equipment	412,605	65,348	347,257	365,073
Vehicles	47,635	14,001	33,634	30,744
Mail bags, mail boxes and other	34,640		34,640	34,640
Sales counter and office furniture and equipment	50,002	3,687	46,315	12,550
	1,714,872	166,881	1,547,991	1,540,609

6. National Postal Museum

The Corporation operates a museum which contains philatelic material, postal artifacts, a postal library, exhibits that trace the history of the mail, and other postal memorabilia. Since these collections, exhibits and books are not for resale and are of undetermined value, they have been recorded at a nominal amount of $1,000.

7. Employee termination benefits

At the time of incorporation on October 16, 1981, the Corporation assumed the liability related to termination benefits which had accrued to employees of the Post Office Department. In addition, the Corporation recognizes in the accounts the liability for benefits accruing to employees of the Corporation since October 16, 1981. The present value of these projected liabilities and the corresponding deferred charge remaining to be amortized against operations at March 31, amounted to:

	1984	1983
	(in thousands of dollars)	
Accumulated to October 16, 1981	273,020	269,698
Accumulated subsequent to October 16, 1981	60,491	33,516
	333,511	303,214

The total charge against operations for employee termination benefits amounted to $14,055,000 (1983 — $11,699,000).

8. Contingent liabilities

(a) Two complaints have been filed with the Human Rights Commission, alleging discrimination by the Corporation concerning work of equal value. These complaints are currently being reviewed within the Corporation, and the outcome is not presently determinable. Settlement, if any, arising from the resolution of these matters, will be recovered in future postal rates as determined in accordance with the Canada Post Corporation Act and/or from the Government of Canada.

(b) Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and are dependent on future illness. The amount of accumulated sick leave entitlements which may become payable cannot reasonably be determined. Sick leave benefits are expensed as paid.

9. Parliamentary appropriation for special purposes

During the year, the Government of Canada appropriated $8,109,000 to the Corporation for special purposes. Of this amount, $1,700,000 represents funding of a Government-directed relocation and has been credited to equity of Canada. The balance, representing Government assistance, has been credited to fixed asset additions ($3,010,000), operating expense ($285,000) and current liabilities ($3,114,000).

10. Cultural publication mailings subsidy

The Government of Canada provides assistance to the publishing industry by making payments which compensate the Corporation for reduced postal revenue from that source. Management anticipates that this assistance will continue at comparable levels for the next two years and decrease thereafter.

11. Government funding

The Canada Post Corporation Act provides that where the annual revenues of the Corporation are insufficient to permit the Corporation to pay all its operating and income charges, the amount of the insufficiency shall be included in the form of a deficit appropriation in the next estimates laid before Parliament.

By arrangement with the Government of Canada, the annual deficit appropriation comprises the loss from operations as reflected in the corporation's financial statements, adjusted for the difference between depreciation and capital expenditures.

12. Lease commitments

The Corporation leases certain facilities under operating leases which expire at various dates between 1985 and 2001. The Corporation's future minimum rental payments required under operating leases that have current lease terms in excess of one year, are as follows:

	(in thousands of dollars)
1985	24,440
1986	20,505
1987	16,605
1988	13,626
1989	11,612
1990 to 2001	41,183
	127,971

13. Related party transactions

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements.

(a) Property Management

Under the terms of a property management arrangement with the Department of Public Works, the Corporation incurred the following:

	1984	1983
	(in thousands of dollars)	
(i) Operating and maintenance costs of the Corporation's buildings, excluding grants in lieu of property taxes	89,390	78,490
(ii) Leasing costs for third-party facilities	36,500	33,330
(iii) Occupancy costs for the use of certain Government of Canada buildings	16,100	16,470
(iv) Capital expenditures for facilities	13,980	8,700

(b) Financing

At the present time, the Corporation's receipts are deposited to the credit of the Corporation in the Consolidated Revenue Fund of the Government of Canada and its expenditures are paid out of the amounts held to its credit in this Fund. Where, at any time, the available revenues of the Corporation are not sufficient to pay all the operating and income charges as and when due, the Minister of Finance may, with approval, place at the disposal of the Corporation such amounts as may be required to enable the Corporation to meet all such charges. The Corporation is not charged interest, nor does it receive interest, on its balance in the Consolidated Revenue Fund.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1984—*Concluded*

(c) Money orders

Funds received from the issue of money orders are held to the credit of the Corporation in the Consolidated Revenue Fund of the Government of Canada until required for redemption of the money orders. Interest is not received on the funds on deposit, nor is there a charge by the Government of Canada for expenses relating to the redemption of money orders.

(d) Other

In the normal course of business, the Corporation enters into various other transactions, such as the provision of postal services and the purchase of air and rail transportation, with the Government of Canada, its agencies and other Crown corporations.

14. Labour negotiations

Labour agreements with the Canadian Union of Postal Workers and the Letter Carriers' Union of Canada, which were extended by the provisions of the Public Sector Compensation Restraint Act (Bill C-124), had an expiry date of September 30, 1984. Labour agreements with five other postal unions have expired or will expire by March 31, 1985. Negotiations, begun prior to expiry dates, are either in progress or agreements are awaiting ratification.

15. Comparative figures

Where appropriate, comparative figures have been reclassified to conform with the presentation adopted in the current year.

SUMMARY PAGE

CANADIAN ARSENALS LIMITED

MANDATE

To provide an industrial base to fulfill the requirements of Canada's national defence for large calibre ammunition and complementary products with the assistance of the private sector to every extent possible.

BACKGROUND

The corporation was responsible for the rationalization and the scaling-down of operations and facilities used in the Second World War and in the Korean War. Its only large purchaser is the Department of National Defence and its selling prices are related to its costs. It has not required funding from the Consolidated Revenue Fund for the past several years.

CORPORATION DATA

HEAD OFFICE	5 Montée des Arsenaux Ville le Gardeur Quebec, Quebec J5Z 2P4
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Stewart D. McInnes, P.C., M.P.
DEPARTMENT	Supply and Services
DATE AND MEANS OF INCORPORATION	Letters patent - 45/09/10, Part I, *Companies Act* 1934. Continued, *Canada Business Corporations Act*, 80/10/20.
CHIEF EXECUTIVE OFFICER	Laurent A. Bergeron
CHAIRMAN	Pierre MacDonald
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**	**1982-83**	**1981-82**
At the end of the period				
Total Assets	126.0	88.9	83.5	93.4
Obligations to the private sector	10.3	1.7	0.2	0.3
Obligations to Canada	4.7	4.7	4.7	4.7
Equity of Canada	52.7	43.9	38.2	34.3
Cash from Canada in the period				
— budgetary	nil	nil	nil	nil
— non-budgetary	nil	nil	nil	nil

CANADIAN ARSENALS LIMITED

AUDITOR'S REPORT

THE HONOURABLE HARVIE ANDRE, P.C., M.P.
MINISTER OF SUPPLY AND SERVICES

I have examined the balance sheet of Canadian Arsenals Limited as at March 31, 1985 and the statements of income and retained earnings, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

The Corporation charges depreciation of fixed assets transferred from Canada to contributed surplus rather than to operations, on the grounds that Canada does not recognize such depreciation as an element of cost when negotiating sales prices. In this respect, the financial statements are not in accordance with generally accepted accounting principles. If depreciation had been charged to operations, net income for the year would have been decreased by $2,358,582 ($2,608,683 in 1984) and the closing balances of retained earnings and contributed surplus would have been decreased and increased by $7,469,406 ($5,110,824 in 1984) respectively.

In my opinion, except for the effects of the failure to charge depreciation to operations as described in the preceding paragraph, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, as well as the charter and by-laws of the Corporation.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
May 31, 1985

BALANCE SHEET AS AT MARCH 31, 1985

ASSETS	1985	1984
	$	$
Current		
Cash	5,108,538	3,570,648
Accounts receivable		
Canada	20,719,759	18,701,914
Others	3,488,745	2,143,709
Progress billings from suppliers	5,346,606	3,824,568
Inventories (Note 3)	42,375,959	25,905,227
	77,039,607	54,146,066
Fixed (Note 4)	44,894,652	34,087,003
Deferred charges (Note 5)	4,499,439	651,825
	126,433,698	88,884,894

LIABILITIES	1985	1984
	$	$
Current		
Accounts payable	22,125,780	17,096,915
Progress billings to customers		
Canada	33,757,484	19,923,585
Others	527,686	302,167
Due to Canada (Note 6)	1,224,941	1,224,941
Current portion of obligation under capital leases (Note 7)	50,090	81,120
	57,685,981	38,628,728
Long-term (Note 7)	15,892,674	6,340,810
	73,578,655	44,969,538
EQUITY OF CANADA		
Capital stock		
Authorized—1,000 shares without par value		
Issued and fully paid—30 shares	30	30
Contributed surplus	16,904,783	19,263,365
Retained earnings	35,950,230	24,651,961
	52,855,043	43,915,356
	126,433,698	88,884,894

Approved by the Board:

PIERRE MACDONALD
Director

YVAN ALLAIRE
Director

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Sales (Note 8)	103,752,140	97,631,300
Cost of goods sold	84,439,498	81,826,766
Gross profit	19,312,642	15,804,534
Other income	726,788	426,239
	20,039,430	16,230,773
Administrative expenses	8,721,357	7,668,367
Financing costs	19,804	22,534
	8,741,161	7,690,901
Net income for the year	11,298,269	8,539,872
Retained earnings at beginning of the year	24,651,961	16,112,089
Retained earnings at end of the year	35,950,230	24,651,961

STATEMENT OF CONTRIBUTED SURPLUS FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Balance at beginning of the year	19,263,365	22,127,850
Fixed assets transferred from Canada		
Depreciation (Note 4)	(2,358,582)	(2,608,683)
Adjustment to recorded value		(255,802)
Balance at end of the year	16,904,783	19,263,365

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Source of funds		
Operations		
Net income for the year	11,298,269	8,539,872
Items not affecting funds		
Amortization of deferred charges	633,163	
Depreciation of fixed assets	599,259	394,446
Increase (decrease) in the provision for employee termination benefits	232,556	(23,506)
	12,763,247	8,910,812
Advances under leasing agreement	9,348,464	1,553,135
Long-term obligation under capital leases	22,784	47,373
Proceeds from disposal of fixed assets		24,073
	22,134,495	10,535,393
Application of funds		
Acquisition of fixed assets	13,765,490	8,693,325
Transfer of prior years product development costs to deferred charges	2,182,385	
Deferred charges	2,298,392	432,262
Decrease in the long-term obligation under capital leases	51,940	85,618
	18,298,207	9,211,205
Increase in working capital	3,836,288	1,324,188
Working capital at beginning of the year	15,517,338	14,193,150
Working capital at end of the year	19,353,626	15,517,338

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 1985

1. Authority and activities

Canadian Arsenals Limited, incorporated on September 20, 1945 and continued under the Canada Business Corporations Act, is a Crown corporation named in Part I of Schedule C to the Financial Administration Act.

The Corporation manufactures medium and large caliber ammunitions and other complementary military products.

2. Significant accounting policies

(a) Fixed assets and depreciation

Fixed assets acquired by purchase or by way of capital leases are recorded at cost. Fixed assets transferred from Canada during the year ended March 31, 1982 are recorded at their current reproduction cost as at that date as determined by the Department of Public Works for immovable assets and a firm of independent appraisers for movable assets. Expenditures which significantly increase the value or extend the useful lives of fixed assets are capitalized. Routine expenditures for maintenance, repairs and renewals are charged against income as incurred.

Depreciation of fixed assets in service is calculated on the straight-line method, at rates based on the estimated useful lives of the assets. Depreciation of fixed assets acquired by purchase or by way of capital leases is charged to operations. Depreciation of fixed assets transferred from Canada is charged to contributed surplus on the grounds that Canada does not recognize it as an element of cost when negotiating sales prices.

(b) Inventories

Raw materials and supplies are stated at the lower of cost and replacement cost in Canada. Work in process and finished goods are stated at the lower of cost and net realizable value.

Costs of patents and licences purchased and development costs incurred for customers' accounts are included in inventories and are charged to cost of goods sold at time of sale.

(c) Deferred charges

Development costs of new products are amortized over three years from the start of commercial production of the related product or are written-off when the product is unlikely to be saleable.

Start-up costs of the St-Augustin division will be amortized, using the straight-line method, over five years from April 1, 1985, the starting date of commercial production.

(d) Revenue recognition

Sales are recognized as goods are delivered and accepted in accordance with contractual agreements and the right to full payment has become unconditional. They are recorded at firm prices or, where applicable, at prices which take into account effects of cost escalation clauses contained in sales contracts. In the latter condition, definitive prices are nevertheless subject to negotiation between the Corporation and its customers and all final adjustments are recorded on a current basis.

(e) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(f) Pension plan

Employees participate in the Superannuation Plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the Plan. This

contribution represents the total liability of the Corporation. Contributions in respect of current service and of admissible past service are expensed when paid.

3. Inventories

	1985	1984
	$	$
Raw materials	27,442,036	17,386,113
Work in process	12,483,802	3,187,382
Finished goods	655,861	2,474,061
Development costs	1,287,494	2,234,101
Patents and licences	506,766	623,570
	42,375,959	25,905,227

4. Fixed assets

	1985			1984
	Recorded value	Accumulated depreciation	Net	Net
	$	$	$	$
Land	1,412,025		1,412,025	1,415,973
Buildings and surface installations	17,780,371	2,704,731	15,075,640	13,618,319
Equipment	12,391,472	4,608,069	7,783,403	8,560,371
Office furniture and equipment	2,298,598	823,148	1,475,450	994,604
Rolling stock	610,364	240,714	369,650	386,522
Construction in progress	18,778,484		18,778,484	9,111,214
	53,271,314	8,376,662	44,894,652	34,087,003

Fixed assets include those held or to be held under capital leases, with a cost of $10,458,228 and accumulated depreciation of $205,034 ($2,234,190 and $206,166 as at March 31, 1984).

Depreciation of fixed assets acquired by purchase or by way of capital leases, amounting to $599,259 ($394,446 in 1984), has been charged to operations. Depreciation of fixed assets transferred from Canada, amounting to $2,358,582 ($2,608,683 in 1984) including $162,291 ($319,574 in 1984) as a loss on disposal of fixed assets, has been charged to contributed surplus.

The estimated useful lives of the principal classes of fixed assets for purposes of calculating depreciation are as follows:

	Number of years
Buildings and surface installations	20 to 40
Equipment	10 to 15
Office furniture and equipment	5 and 10
Rolling stock	3 to 10

5. Deferred charges

	1985	1984
	$	$
Start-up costs of the St-Augustin division	2,038,070	651,825
New products development costs	2,461,369	
	4,499,439	651,825

During the year, prior years' new products development costs amounting to $2,182,385 were transferred from inventories to deferred charges.

Research and development costs charged to operations amounted to $2,229,747 ($1,274,355 in 1984).

6. Due to Canada

The amount due to Canada represents remaining balances of parliamentary appropriations.

7. Long-term liabilities

	1985	1984
	$	$
Advances under leasing agreement	10,901,599	1,553,135
Loan from Canada	3,500,000	3,500,000
Provision for employee termination benefits	1,638,474	1,405,918
Obligation under capital leases	112,691	172,877
	16,152,764	6,631,930
Less: current portion of the provision for employee termination benefits included in accounts payable	210,000	210,000
current portion of obligation under capital leases	50,090	81,120
	15,892,674	6,340,810

The loan from Canada, to provide working capital, does not bear interest and has no fixed repayment date.

The present value of obligation under capital leases has been determined as follows:

Payments to be made in subsequent years:

	$
1986	60,930
1987	43,798
1988	13,679
1989	11,682
1990	3,693
	133,782
Less: portion thereof representing interest at variable rates to be charged to operations in the years to which it applies	21,091
	112,691

The Corporation has entered into an agreement with a chartered bank's leasing corporation to lease production machinery, to a total cost of $11 million, upon terms that transfer substantially all benefits and risks of ownership to the Corporation. It has concurrently entered into another agreement whereby it has been appointed as an agent of the lessor to purchase the said machinery against reimbursement of monies disbursed. As at March 31, 1985, amounts so advanced to the Corporation total $10,901,599 ($1,553,135 as at March 31, 1984) including $760,112 for accrued interest ($30,253 in 1984) which, when added to future purchases, shall be converted into capital leases specifying repayments terms. Advances bear interest at the rate of 1% per annum over the lessor's thirty day guaranteed note rate (10.4% as at March 31, 1985). Leasing schedules shall provide for interest at the rate of 0.5% per annum over the lessor's guaranteed note rate of the term not exceeding 60 months selected by the Corporation.

8. Sales

Sales to Canada during the year ended March 31, 1985 amounted to $95,516,433, or 92.1% of the Corporation's sales ($87,618,391, or 89.7% in 1984).

Sales to Canada include $3,355,123 ($4,006,059 in 1984) for sales at cost of purchased goods.

9. Sales agents and representatives

During the year, the Corporation paid $76,066 ($51,310 in 1984) as remuneration and expenses to the following sales agents and representatives: Cormorant Limited, Pakistan; Matren Ltd., Greece; Seri Mechan Products Sdn Bhd, Malaysia; Unicorn International Pte Ltd., Singapore; Vetecin S.A., Venezuela; Holland Arma B.V., Holland; S. Kittivat, Thailand; Byron, United States and Vrabel, United States.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

10. Commitments

As at March 31, 1985, the estimated cost of completing capital projects, planned and in progress, amounts to approximately $1,500,000. As at that date, contractual commitments amount to approximately $850,000.

11. Licence for manufacturing of explosives

The Department of Energy, Mines and Resources has renewed the licence for manufacturing explosives in a specific section of the Corporation's plant only to June 30, 1985, in order to have the opportunity to review the revised parts of the corporate modernization plan pertaining to that section. The Corporation currently expects that the work required to meet the Department's safety requirements will be carried-out as part of a massive modernization effort of its Le Gardeur plant over the next 5 years. In addition to satisfying safety requirements, the modernization plan also provides for increased production capacity and forms part of a global construction program presently estimated at $82,000,000.

12. Announced privatization of the Corporation

In his Budget Speech on May 23, 1985, the Minister of Finance announced the intention of the Government of Canada to sell the Corporation to the private sector. The process of privatization and the eventual disposal price are not determinable at the time of preparation of these financial statements.

SUMMARY PAGE

CANADIAN COMMERCIAL CORPORATION

MANDATE

To assist in the development of trade between Canada and other nations.

BACKGROUND

Established in 1946, the corporation serves as prime contractor when other countries wish to purchase goods and services from Canada on a government to government basis. As well, it assists in sales to international agencies.

CORPORATION DATA

HEAD OFFICE	Place de Ville 112 Kent Street Tower B - 17 Floor Ottawa, Ontario K1A 1E9
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Right Honourable Joe Clark, P.C., M.P.
DEPARTMENT	External Affairs
DATE AND MEANS OF INCORPORATION	By the *Canadian Commercial Corporation Act* 46/05/01 (R.S.C. 1970, C. C-6).
CHIEF EXECUTIVE OFFICER	O.I. Matthews (Acting)
CHAIRMAN	Vacant
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**	**1982-83**	**1981-82**
At the end of the period				
Total Assets	380.9	382.5	367.8	277.8
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	36.3	32.4	28.6	25.2
Cash from Canada in the period				
— budgetary	17.6	17.2	16.8	18.7
— non-budgetary	nil	nil	nil	nil

CANADIAN COMMERCIAL CORPORATION

AUDITOR'S REPORT

THE RIGHT HONOURABLE CHARLES JOSEPH CLARK, P.C., M.P.
SECRETARY OF STATE FOR EXTERNAL AFFAIRS

I have examined the balance sheet of the Canadian Commercial Corporation as at March 31, 1985 and the statements of operations and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, and the Canadian Commercial Corporation Act and by-laws of the Corporation.

E. R. ROWE, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 31, 1985

BALANCE SHEET AS AT MARCH 31, 1985
(in thousands of dollars)

ASSETS	1985	1984
Cash and short-term deposits	28,476	34,567
Deposit with Receiver General for Canada (Note 1)	8,000	8,000
Accounts receivable		
Foreign governments (Note 3)	148,805	78,503
Government of Canada—Parliamentary appropriations (Note 4)	1,530	1,613
Other	141	160
Advances to suppliers	3,413	3,324
Progress claims paid or due	190,505	256,333
	380,870	382,500

LIABILITIES	1985	1984
Accounts payable and accrued liabilities	133,480	77,374
Advances from customers	18,538	13,132
Progress payments received or due	189,135	256,333
Due to Government of Canada (Note 4)	1,443	1,559
Due to Defence Production Revolving Fund	1,417	1,525
Provision for additional contract costs (Note 5)	525	150
	344,538	350,073
EQUITY OF CANADA		
Paid in capital	10,000	10,000
Contributed surplus	10,000	10,000
Retained earnings	16,332	12,427
	36,332	32,427
	380,870	382,500

Certified correct:

F. O. KELLY
Comptroller

Approved by the Board:

O. I. MATTHEWS
Acting President

D. W. SALSMAN
Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Revenues		
Contract billings	716,278	649,963
Fees and other income	221	437
Interest income	3,022	2,974
Gain on foreign exchange	1,051	485
	720,572	653,859
Expenses		
Cost of contract billings	716,278	649,963
Additional contract costs	341	
Services provided by Supply and Services Canada	15,488	15,086
Administrative	1,773	1,569
Legal fees and expenses charged by Department of Justice (Note 6)	356	513
Other	48	53
	734,284	667,184
Net cost of operations	13,712	13,325
Parliamentary appropriations	17,617	17,168
	3,905	3,843
Retained earnings at beginning of the year	12,427	8,584
Retained earnings at end of the year	16,332	12,427

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Cash was provided by		
Parliamentary appropriations		
Amount drawn down	17,617	17,168
Adjusted for decrease in receivable from Government of Canada	83	1,067
	17,700	18,235
Cash was used for		
Operations		
Cost of operations	18,006	17,221
Interest and other income	4,294	3,896
Net cost of operations	13,712	13,325
Adjustments for		
Operating balances from customers and to suppliers	14,026	(2,354)
Advances and progress claims from customers and to suppliers	(3,947)	(2,254)
Total cash used	23,791	8,717
Increase (decrease) in cash and cash equivalents	(6,091)	9,518
Cash and cash equivalents at beginning of year	42,567	33,049
Cash and cash equivalents at end of year	36,476	42,567
Represented by		
Cash and short term deposits	28,476	34,567
Deposit with Receiver General for Canada	8,000	8,000
	36,476	42,567

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1985

1. Authority and operations

The Corporation was established in 1946 by the Canadian Commercial Corporation Act and is an agency Crown corporation listed in Part I, Schedule C of the Financial Administration Act. The Corporation is not subject to income taxes.

The Corporation acts as the prime contracting agency when other countries and international agencies wish to purchase products and services from Canada on a government-to-government basis.

Contracts are made with foreign governments and corresponding contracts are entered into with Canadian firms by the Corporation.

Supply and Services Canada provides contracting services to the Corporation at predetermined rates approved by Treasury Board, based on the amounts of contracts procured, and provides certain administrative functions at cost.

If the Minister so directs, the Corporation is required to pay to the Receiver General for Canada any funds that the Minister considers to be in excess of requirements. Any such payments are on deposit with the Receiver General for Canada and can, on the request and in the opinion of the Minister, be returned to the Corporation when required. During 1983-84, an amount of $8 million was paid by the Corporation to the Receiver General for Canada and no interest will accrue to the Corporation on such deposit.

2. Significant accounting policies

(a) Contract billings

Revenues from contracts are recorded at the time of delivery except in the case of contracts involving progress payments; in these cases, revenues are recorded at the time the progress payments become due from customers. Since title to work-in-progress covered by progress claims has not passed to customers, the Corporation sets up a corresponding liability and cost of contract billings. The Corporation records all progress claims by its suppliers as assets. These assets and liabilities are reduced, in accordance with contract terms, as deliveries are accepted.

(b) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average exchange rates for the month in which the transactions occur. Gains and losses resulting from translations are shown in the statement of operations.

(c) Parliamentary appropriations

Parliamentary appropriations are recorded in the year in which the corresponding expenses are incurred but are drawn upon only as cash disbursements are made.

3. Accounts receivable from foreign governments

As at March 31, 1985, the Corporation has provided $844,000 (1984—$879,000) to cover the possible non-collection of certain accounts receivable from a foreign government.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

4. Government of Canada

As at March 31, 1985, funds to cover expenses of $1,530,000 applicable to 1984-85 appropriations had not been drawn and $1,443,000 had not been paid to various government departments.

5. Contractual obligations

As at March 31, 1985, the Corporation was obligated to fulfill contracts with customers amounting to $911 million (1984—$909 million).

The Corporation is responsible to its customers for the performance of its suppliers and thus may incur additional contract costs on default of a supplier. A provision of $525,000 (1984—$150,000) has been made for estimated additional contract costs which may be incurred if certain suppliers are unable to meet their contractual obligations.

6. Legal fees and expenses charged by Department of Justice

The Corporation has been directed by Treasury Board to reimburse the Department of Justice for legal fees and expenses resulting from the action taken against the Corporation related to the contract referred to in Note 7(a). These costs amounted to $356,000 (1984—$513,000).

7. Contingencies

(a) The Corporation has been named defendant in a lawsuit instituted in 1975 alleging losses resulting from the termination of a portion of a contract and seeking damages of $6.8 million plus accrued interest and costs.

Based on the advice of legal counsel, management is of the opinion that no provision for possible loss in respect of this suit is required.

(b) The Corporation has a contract, which if all options were exercised, would amount to $61.8 million. The supplier is presently facing financial difficulties. The amount of any liability to the Corporation, in the event the supplier cannot fulfill the contract, is indeterminable at this time.

(c) The Corporation faces a potential loss of $1.8 million (representing the work-in-progress payments already made to the original supplier) which may not be recovered should an alternative supplier be required to fulfill the Corporation's contractual obligations with its customers or should the contract be terminated. The supplier is currently in severe financial difficulties and is not meeting the terms of its contracts. However, the Corporation has taken action to minimize or eliminate its loss.

8. Representative agreements

The Corporation has representative agreements with Dismatica Industrial C.A. of Venezuela, and Luis Fafie & CIA SA of Honduras to whom no fees were paid or became due during the year.

SUMMARY PAGE

CANADIAN DAIRY COMMISSION

MANDATE

To provide efficient producers of milk and cream with the opportunity of obtaining a fair return for their labour and investment and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality.

BACKGROUND

Established in 1966, the corporation administers the following elements of the federal dairy program: determination of Target Price for manufacturing milk and cream, market support for the Target Price through a nationwide offer to purchase butter and skim milk powder, payment of subsidy on eligible manufacturing milk and cream shipments, domestic and international marketing of certain dairy products, receipt of levies collected by provinces from farmers to finance the cost of exporting products surplus to domestic requirements and coordination of national supply management of industrial milk production in line with domestic requirements.

CORPORATION DATA

HEAD OFFICE	Pebb Building 2197 Riverside Drive Ottawa, Ontario, K1A 0Z2
STATUS	—Schedule C, Part I —an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable John Wise, P.C., M.P.
DEPARTMENT	Agriculture
DATE AND MEANS OF INCORPORATION	In 1966, by the *Canadian Dairy Commission Act* (R.S.C. 1970, C. C-7).
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	Gilles Choquette
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends July 31.

	1983-84	1982-83	1981-82
At the end of the period			
Total Assets	304.0	360.5	296.1
Obligations to the private sector	60.6	56.5	50.2
Obligations to Canada	180.4	231.8	206.9
Equity of Canada	(13.6)	7.1	(16.1)
Cash from Canada in the period			
— budgetary	303.6	309.9	302.4
— non-budgetary, net	(51.3)	24.9	101.5

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 1985
WERE NOT AVAILABLE AT DATE OF PRINTING

AUDITOR'S REPORT

THE HONOURABLE JOHN WISE, P.C., M.P.
MINISTER OF AGRICULTURE

I have examined the balance sheet of the Canadian Dairy Commission as at July 31, 1984 and the statements of dairy support program operations financed by Government of Canada, marketing operations financed by producers, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

These financial statements reflect in accounts receivable and Government of Canada financing of marketing operations an amount of $10.05 million. At the date of my report, the Government of Canada has declined to accept liability for this amount. Therefore the valuation of accounts receivable is not in accordance with generally accepted accounting principles. If this amount had not been recognized, accounts receivable would have been reduced by $10.05 million and the deficiency of financing over cost of marketing operations and the deficit at the end of the year would have been increased by $10.05 million.

In my opinion, except that accounts receivable of $10.05 million have been recognized as described in the preceding paragraph, these financial statements give a true and fair view of the financial position of the Commission as at July 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Commission, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

D. L. MEYERS, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
November 16, 1984

BALANCE SHEET AS AT JULY 31, 1984
(in thousands of dollars)

ASSETS	1984	1983	LIABILITIES AND SURPLUS	1984	1983
Accounts receivable			Accounts payable and accrued liabilities	63,131	57,255
Trade (Note 3)	40,911	51,778	Allowance for losses on commitments (Note 5)	13,561	7,849
Government of Canada	73,632	79,041	Subsidies payable to producers	60,472	56,486
Producer levies	59,395	97,981	Loans from Government of Canada (Note 6)	180,422	231,767
Inventories (Note 4)	128,614	129,508		317,586	353,357
Prepaid expense	1,453	2,182	(Deficit) surplus	(13,581)	7,133
	304,005	360,490		304,005	360,490

Approved:

GILLES CHOQUETTE
Chairman

E. G. HODGINS
Vice-Chairman

PAUL SIMARD
Director of Finance

STATEMENT OF DAIRY SUPPORT PROGRAM OPERATIONS FINANCED BY GOVERNMENT OF CANADA FOR THE YEAR ENDED JULY 31, 1984
(in thousands of dollars)

	1984	1983
Subsidies to producers of industrial milk and cream (Schedule A)	276,951	270,851
Expenses related to marketing operations		
Interest	14,138	30,819
Freight	4,890	4,588
Storage	3,758	5,547
Handling	1,183	1,221
Miscellaneous	423	1,107
	24,392	43,282
Deduct: expenses transferred to marketing operations (Note 7)	3,792	10,282
	20,600	33,000
Administrative expenses (Schedule B)	4,267	4,339
Research	1,699	1,694
Cost of dairy support program operations	303,517	309,884
Financing by Government of Canada (Note 7)		
Agricultural Stabilization Board	297,551	303,851
Parliamentary appropriation	5,702	5,769
Government departments which provided services without charge	264	264
	303,517	309,884

STATEMENT OF MARKETING OPERATIONS FINANCED BY PRODUCERS FOR THE YEAR ENDED JULY 31, 1984
(in thousands of dollars)

	1984	1983
Sales	320,290	393,151
Cost of goods sold	553,416	611,958
Loss on sales	233,126	218,807
Expenses and assistance		
Export and domestic assistance	22,729	11,107
Agents' commissions (Note 9)	4,478	4,803
Carrying charges	4,392	4,919
Advertising and promotion (Note 12)	2,724	789
Capital assistance (Note 8)	571	6,126
Capital assistance recoveries (Note 8)	(747)	(719)
	34,147	27,025
Add: expenses transferred from dairy support program operations (Note 7)	3,792	10,282
	37,939	37,307
Cost of marketing operations before financing	271,065	256,114
Financing by Producers' Levies (Note 7)		
Industrial milk (Schedule C)	233,418	264,041
Fluid milk (Schedule D)	6,883	6,799
	240,301	270,840
Government of Canada (Notes 7 and 11)	10,050	8,548
	250,351	279,388
(Deficiency) excess of financing over cost of marketing operations (Schedule E)	(20,714)	23,274

STATEMENT OF DEFICIT FOR THE YEAR ENDED JULY 31, 1984
(in thousands of dollars)

	1984	1983
Balance (deficit) at beginning of year	7,133	(16,141)
(Deficiency) excess of financing over cost of marketing operations	(20,714)	23,274
(Deficit) balance at end of year	(13,581)	7,133

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED JULY 31, 1984
(in thousands of dollars)

	1984	1983
Source of funds		
Excess of financing over cost of marketing operations		23,274
Loans from Government of Canada	457,639	425,479
Decrease in accounts receivable	54,862	
Increase in other liabilities	15,574	16,311
Decrease in inventories	894	45,712
Decrease in prepaid expense	729	
	529,698	510,776
Application of funds		
Deficiency of financing over cost of marketing operations	20,714	
Loans repaid to Government of Canada	508,984	400,652
Increase in accounts receivable		107,942
Prepaid expense		2,182
	529,698	510,776

Funds are defined as assets less liabilities and deficit.

NOTES TO FINANCIAL STATEMENTS JULY 31, 1984

1. Objectives and operations

The objectives of the Commission, as established by the Canadian Dairy Commission Act 1966-67, are "to provide efficient producers of milk and cream with the opportunity of obtaining a fair return for their labour and investment and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality".

Producers are responsible for the cost of disposal of surplus products, including all losses on special export production under the export quota program, and for marketing costs attributable to surplus production.

Any surplus in marketing operations up to $10 million is not to be refunded to producers nor taken into account when setting levy rates for the following year. The treatment of any excess over $10 million is to be determined by the Canadian Milk Supply Management Committee.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1984—*Continued*

2. Significant accounting policies

Foreign currency conversion

Each asset, liability, revenue or expense arising from a foreign currency transaction is translated into Canadian dollars at the exchange rate in effect at the date of transaction. Monetary items denominated in a foreign currency at the balance sheet date are adjusted to reflect the exchange rate in effect at that date. Any exchange loss or gain, arising on translation or settlement of a foreign currency item, is charged to marketing operations financed by producers.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Fixed assets

Acquisition of furniture and equipment is charged to administrative expenses in the year of purchase.

Purchase commitments

Losses on commitments to purchase surplus butter and skim milk powder at Canadian support prices and other dairy products at negotiated contract prices, which are usually higher than export prices, are charged to marketing operations financed by producers at the time the commitment is made.

3. Accounts receivable

An account receivable of $8.3 million resulting from sales to Nigeria will be collected in fourteen quarterly instalments commencing October 1986, with interest at U.S. prime + 1% payable in quarterly instalments starting October 5, 1984.

4. Inventories

	1984	1983
	(in thousands of dollars)	
Cost		
Butter	128,327	126,459
Skim milk powder	51,627	39,548
Other dairy products	14,854	15,110
	194,808	181,117
Less provision for write down		
Butter	30,080	24,711
Skim milk powder	31,900	24,391
Other dairy products	4,214	2,507
	(66,194)	(51,609)
	128,614	129,508

Inventories which are carried at standard cost have been adjusted as the prices for surplus butter, skim milk powder and other dairy products (includes evaporated milk, whole milk powder and unsalted butter) on the export market are lower than on the domestic market resulting in net realizable value being less than the Canadian support prices and costs. The provision for inventory write down has been charged to marketing operations (cost of sales) financed by producers.

5. Commitments

As at July 31, 1984, the Commission was committed to purchase butter and skim milk powder at Canadian support prices and other dairy products at negotiated contract prices produced prior to July 31, 1984, for approximately $23.4 million (1983—$14.6 million). Losses which may result from these purchases at higher than export prices have been estimated at approximately $13.6 million (1983—$7.8 million) requiring an increase in the provision during the year of $5.7 million (1983—reduction $5.4 million) which has been charged to marketing operations (cost of sales) financed by producers.

6. Loans from Government of Canada

These loans are to finance the purchase of dairy products and bear interest rates varying from 9.625% to 13.00% per annum (1983—9.25% to 9.625%). There are no specific terms of repayment and interest, calculated on a simple basis, is paid at the time of any principal repayment.

7. Financing

Government of Canada

The Agricultural Stabilization Board, through Vote 15, provides financing to the Commission for the benefit of producers for the purpose of stabilizing the price of industrial milk and cream. During the year ended July 31, 1984, financing for this purpose amounted to $307.60 million, of which $297.55 million was credited to dairy support program operations and $10.05 million (see Note 11) was credited to marketing operations.

Administrative and research expenses are financed by Agriculture Vote 35 which lapsed $617,000 (1983—$365,000). Some government departments also provided services without charge.

Producers

Costs incurred by the Commission in the disposal of surplus dairy products and other marketing programs, including animal feed, export and capital assistance; and interest expense and carrying charges in excess of the government's maximum commitment of $20.6 million are financed by the producers through payment of levies which are collected by the provincial marketing boards and agencies and remitted to the Commission. Levies are calculated based on shipments of industrial milk.

8. Capital assistance

In a program to export whole milk products, up to a maximum of 10% of Canadian requirements or a maximum of 4.4 million hectolitres of milk as agreed by the Canadian Milk Supply Management Committee and Government, the Commission has contributed to the construction of two processing plants for evaporated milk and one processing plant for instantized whole milk powder.

The capital assistance, totalling $22.7 million, commenced in 1980. This cost is estimated to be reduced to $17.7 million over a period of six years from 1980 through the recovery of the residual value of the plant and equipment, including a reduction in price for a maximum number of cases to be purchased, and grants from the Government of Canada. Recoveries to date amount to $2.9 million.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1984—*Concluded*

9. Agents' commissions

The Commission has used the services of agents for sales in connection with marketing of dairy products on the export market and commissions were as follows:

	1984	1983
	(in thousands of dollars)	
Coop Fédérée de Québec, Canada	2,578	3,804
L&M Exports Inc., Canada	943	54
Gestion Y. Dessarrollo—Commercial S.A. Peru	395	510
Intercontinental, Mexico	355	223
Canada Expa (1980) Inc., Canada	184	212
Gerber Agri-Export	23	
	4,478	4,803

10. Contingent liability

An account receivable amounting to $13.5 million plus interest due over a nine month period has been discounted with a commercial bank with recourse. Accordingly, the Commission will be liable, under the terms of the discount contract, to the bank for the amount of receivable discounted in the event that the customer does not meet its commitment. However, in the opinion of management, the likelihood that the customer will not meet its obligation is remote, as the payments are now being received in accordance with an agreed schedule.

11. British Columbia Milk Board

In July 1982, the British Columbia Milk Board notified the Commission of its intention to withdraw from the Comprehensive Milk Marketing Plan. During the year ended July 31, 1984, the Board did not remit levies to the Commission. Levies on milk production in British Columbia would have amounted to $11.50 million. An amount of $10.05 million, equivalent to subsidies which would have been paid on milk production in British Columbia, has been credited to marketing operations financed by producers. The balance of $1.45 million is receivable from the province.

12. Ice cream and cream promotion

The Commission has been authorized by the Canadian Milk Supply Management Committee to contribute up to $4.5 million towards the promotion of ice cream and cream undertaken by the Dairy Bureau of Canada. To date, $3.5 million has been paid and charged to marketing operations financed by producers.

SUBSIDIES TO PRODUCERS OF INDUSTRIAL MILK AND CREAM FOR THE YEAR ENDED JULY 31, 1984 — SCHEDULE A

	Eligible Shipments		Subsidies	
	1984	1983	1984	1983
	(in thousands of kilograms)		(in thousands of dollars)	
Prince Edward Island	3,220	3,194	5,394	5,350
Nova Scotia	2,134	2,085	3,574	3,493
New Brunswick	2,244	2,168	3,758	3,632
Quebec	81,383	79,087	136,316	132,470
Ontario	53,993	53,236	90,438	89,171
Manitoba	6,595	6,379	11,047	10,684
Saskatchewan	4,413	4,353	7,392	7,291
Alberta	11,335	11,168	18,986	18,706
British Columbia (Note 11)	6,027	6,261	46	54
	171,344	167,931	276,951	270,851

ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED JULY 31, 1984 (in thousands of dollars) — SCHEDULE B

	1984	1983
Salaries	1,979	1,781
Professional and special services	659	895
Transportation and communications	345	482
Data processing and cheque issue services	264	264
Other personnel costs	287	195
Remuneration of members of the Commission	190	182
Rentals	190	161
Acquisition of furniture and equipment	163	139
Audit Services Bureau fees	72	99
Utilities, materials and supplies	75	89
Repairs and maintenance	41	13
Miscellaneous	2	39
	4,267	4,339

PRODUCER LEVIES ON INDUSTRIAL MILK FOR THE YEAR ENDED JULY 31, 1984 — SCHEDULE C

	Milk Shipments		Producer Levies: In Quota		Export		Over Quota		Total	
	1984	1983	1984	1983	1984	1983	1984	1983	1984	1983
	(in thousands of litres)		(in thousands of dollars)							
Prince Edward Island	78,355	80,478	3,581	3,806	446	301		517	4,027	4,624
Nova Scotia	52,385	53,151	2,394	2,468	299	194	129	668	2,822	3,330
New Brunswick	52,897	50,651	2,417	2,253	302	201			2,719	2,454
Quebec	2,250,749	2,292,874	102,859	106,750	12,829	8,502		22,263	115,688	137,515
Ontario	1,311,443	1,352,847	59,933	62,726	7,475	4,968	10,394	17,503	77,802	85,197
Manitoba	150,858	150,690	6,894	7,190	860	571	549	960	8,303	8,721
Saskatchewan	100,421	95,147	4,590	4,665	572	374	980		6,142	5,039
Alberta	280,655	268,419	12,826	12,365	1,600	1,055			14,426	13,420
British Columbia (Note 11)	158,479	166,916	118	550			1,371	3,191	1,489	3,741
	4,436,242	4,511,173	195,612	202,773	24,383	16,166	13,423	45,102	233,418	264,041

PRODUCER LEVIES ON FLUID MILK FOR THE YEAR ENDED JULY 31, 1984 — SCHEDULE D

	Sales		Producer Levies*	
	1984	1983	1984	1983
	(in thousands of litres)		(in thousands of dollars)	
Prince Edward Island	13,396	13,109	40	40
Nova Scotia	114,659	112,285	346	350
New Brunswick	70,509	69,239	213	209
Quebec	654,018	641,433	1,917	1,876
Ontario	972,777	955,372	2,986	2,936
Manitoba	103,702	102,362	315	311
Saskatchewan	98,425	96,969	289	285
Alberta	256,175	261,372	777	792
British Columbia (Note 11)	303,509	304,135		
	2,587,170	2,556,276	6,883	6,799

*Calculated at 5% of subsidy rate of $6.03 per hectolitre of sales.

MARKETING OPERATIONS FINANCED BY PRODUCERS FOR THE YEAR ENDED JULY 31, 1984 — SCHEDULE E

	1984						1983			
	Domestic	Export					Domestic	Export		
	Butter	Skim Milk Powder	Evaporated Milk	Other Products*	Total	Total	Butter	Skim Milk Powder	Evaporated Milk	Others Products*
					(in thousands of dollars)					
Sales	124,761	77,978	94,236	23,315	320,290	393,151	85,744	158,817	110,760	37,830
Cost of goods sold	125,344	232,481	146,090	49,501	553,416	611,958	91,220	319,285	141,940	59,513
Loss on sales	583	154,503	51,854	26,186	233,126	218,807	5,476	160,468	31,180	21,683
Expenses and assistance										
Export and domestic assistance	29	14,762	22	7,916	22,729	11,107	33	5,854	63	5,157
Agents' commissions		750	3,125	603	4,478	4,803		720	3,428	655
Carrying charges		1,566	2,395	431	4,392	4,919		1,895	2,663	361
Advertising and promotion				2,724	2,724	789				789
Capital assistance			571		571	6,126			1,609	4,517
Capital assistance recoveries			(264)	(483)	(747)	(719)			(236)	(483)
	29	17,078	5,849	11,191	34,147	27,025	33	8,469	7,527	10,996
	612	171,581	57,703	37,377	267,273	245,832	5,509	168,937	38,707	32,679
Add: expenses transferred from dairy support program operations					3,792	10,282				
Cost of marketing operations before financing					271,065	256,114				
Financing					250,351	279,388				
(Deficiency) excess of financing over cost of marketing operations					(20,714)	23,274				

	1984 Volume (in millions)				1983 Volume (in millions)			
	Kilograms	Kilograms	Cases	Kilograms	Kilograms	Kilograms	Cases	Kilograms
Sales	28.0	78.2	5.3	10.4	19.8	141.6	5.6	14.0
Purchases	26.6	82.0	5.2	10.0	21.3	105.6	5.7	11.9

*Includes whole milk powder and cheese.

SUMMARY PAGE

CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY

MANDATE

To increase knowledge and understanding of the issues relating to international peace and security from a Canadian perspective, with particular emphasis on arms control, disarmament, defence and conflict resolution.

BACKGROUND

The corporation was established in 1984 by special Act of Parliament. Legislation is in preparation which would give this corporation a status, under the FAA, resembling that of the cultural Crown corporations, being exempt from most provisions of Part XII of the Act. The corporation is authorized to fulfill its mandate by the following means:

(a) foster, fund and conduct research;
(b) promote scholarship;
(c) study and prepare ideas and policies; and
(d) collect and disseminate information on, and encourage public discussion in relation to, matters of international peace and security.

CORPORATION DATA

HEAD OFFICE	307 Gilmour Avenue P.O. Box 3425 Station D Ottawa, Ontario K1A 6L4
STATUS	— Schedule C, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Right Honourable Joe Clark, P.C., M.P.
DEPARTMENT	External Affairs
DATE AND MEANS OF INCORPORATION	August 15, 1984; by the *Canadian Institute for International Peace and Security Act,* (S.C. 1983-84, C.37)
CHIEF EXECUTIVE OFFICER	Geoffrey Pearson
CHAIRMAN	William H. Barton
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85
At the end of the period	
Total Assets	1.3
Obligations to the private sector	nil
Obligations to Canada	nil
Equity of Canada	1.2
Cash from Canada in the period	
— budgetary	1.5
— non-budgetary	nil

CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY

AUDITOR'S REPORT

TO THE CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY
AND
TO THE RIGHT HONOURABLE CHARLES JOSEPH CLARK, P.C., M.P.
SECRETARY OF STATE FOR EXTERNAL AFFAIRS

I have examined the balance sheet of the Canadian Institute for International Peace and Security as at March 31, 1985 and the statements of operations and equity of Canada, and changes in financial position for the initial six-month period then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Institute as at March 31, 1985 and the results of its operations and the changes in its financial position for the initial six-month period then ended in accordance with generally accepted accounting principles consistently applied.

Further, in my opinion, the transactions of the Institute that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canadian Institute for Peace and Security Act and the provisional by-laws of the Institute.

E. R. ROWE, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 30, 1985

BALANCE SHEET AS AT MARCH 31, 1985

ASSETS	1985	LIABILITIES	1985
	$		$
Current assets		Current liabilities	
Cash and term deposit	224,330	Accounts payable and accrued liabilities	96,183
Canada treasury bills	1,026,247		
Accrued interest	26,147		
Prepaid expenses	51,829		
	1,328,553		
Fixed assets, at cost			
Office furniture and equipment	4,482		
Less: accumulated depreciation	897	EQUITY OF CANADA	
	3,585	Equity of Canada	1,235,955
	1,332,138		1,332,138

The accompanying notes form an integral part of the financial statements.

Approved by:

WILLIAM H. BARTON
Chairman of the Board

GEOFFREY A.H. PEARSON
Executive Director

STATEMENT OF OPERATIONS AND EQUITY OF CANADA FOR THE INITIAL SIX-MONTH PERIOD ENDED MARCH 31, 1985

	1985
	$
Expenses	
Board of Directors	132,704
Administration	108,049
Executive	33,276
Research	28,484
Public programs	14,200
Information systems	9,509
	326,222
Revenue	
Interest income	62,177
Net cost of operations	264,045
Parliamentary appropriation	1,500,000
Excess of parliamentary appropriation over net cost of operations, which represents equity of Canada at end of the period	1,235,955

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE INITIAL SIX-MONTH PERIOD ENDED MARCH 31, 1985

	1985
	$
Source of funds	
Operations	
Excess of parliamentary appropriation over net cost of operations	1,235,955
Item not requiring an outlay of funds	
Depreciation	897
Funds provided by operations	1,236,852
Increase in accounts payable and accrued liabilities	96,183
	1,333,035
Use of funds	
Increase in accrued interest	26,147
Increase in prepaid expenses	51,829
Acquisition of office furniture and equipment	4,482
	82,458
Increase in cash and cash equivalents during the period and balance at end of period	1,250,577

The balance includes cash, term deposits and Treasury Bills.
The accompanying notes form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1985

1. Authority and operations

The Institute was established in June 1984 under the Canadian Institute for International Peace and Security Act and commenced operations on October 1, 1984. It is a Crown corporation named in Part I of Schedule C of the Financial Administration Act.

The purpose of the Institute is to increase knowledge and understanding of the issues relating to international peace and security from a Canadian perspective with particular emphasis on arms control, disarmament, defence and conflict resolution, and to:

(a) foster, fund and conduct research on matters relating to international peace and security;

(b) promote scholarship in matters relating to international peace and security;

(c) study and propose ideas and policies for the enhancement of international peace and security; and

(d) collect and disseminate information on, and encourage public discussion of, issues of international peace and security.

In its initial six-month period the Institute has primarily focused on the establishment of its overall administration.

2. Significant accounting policies

Fixed assets

Office furniture and equipment are recorded at cost and are depreciated on the straight-line basis at an annual rate of 20%.

Pension plan

Employees participate in the Public Service Superannuation Plan which is administered by the Government of Canada. The Institute's contributions are equal to the contributions paid by its employees in respect of current services. These contributions represent the total liability of the Institute in respect of the pension plan and are recorded as expenses in the same period as the employees' services are rendered.

Parliamentary appropriation

Parliamentary appropriation is recorded in the accounts when received.

3. Commitment

Subsequent to year end, the Institute entered into a five-year lease agreement for the rental of office premises. The Institute can renew the lease agreement for an additional five-year period. The minimum annual rent for the next five years is $120,000.

CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY—*Concluded*

SCHEDULE OF EXPENSES
FOR THE INITIAL SIX-MONTH PERIOD ENDED MARCH 31, 1985

	Board of directors	Adminis-tration	Execu-tive	Research	Public programs	Infor-mation systems	Total
	$	$	$	$	$	$	$
Directors' fees	84,350						84,350
Salaries and employee benefits		21,744	29,701	5,525			56,970
Personal service contracts		14,020	2,415	18,360	2,000	7,050	43,845
Travel	26,062		1,085	3,311		1,811	32,269
Consulting services		15,805			10,000		25,805
Rent and accommodation		23,597					23,597
Accommodation and meals	18,177			886		429	19,492
Legal fees		10,500					10,500
Printing, stationery and supplies		9,143					9,143
Telecommunications		7,249					7,249
Freight, delivery and postage		2,651					2,651
Documentation and translation	2,579						2,579
Publications					2,200		2,200
Hospitality	1,108		75	63			1,246
Depreciation		897					897
Repair and maintenance		777					777
Other	428	1,666		339		219	2,652
	132,704	108,049	33,276	28,484	14,200	9,509	326,222

SUMMARY PAGE

CANADIAN LIVESTOCK FEED BOARD

MANDATE

To ensure availability of adequate feed grain to meet the needs of livestock feeders, availability of adequate storage for feed grain in Eastern Canada; reasonable stability in prices for feed grain in Eastern Canada, British Columbia and the Yukon and Northwest Territories; fair equalization of feed grain prices in those regions.

BACKGROUND

Established in 1967, the Board has executed its mandate by subsidizing the transportation costs of feed grain, by paying the carrying charges on local dealer inventories to promote local feed grain security and by administering a program for the construction and expansion of feed grain storage elevators. Its programs are financed by budgetary payments from Canada.

CORPORATION DATA

HEAD OFFICE	5180 Queen Mary Road PO Box 177 Snowdon Station Montreal, Québec, H3X 3T4
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable John Wise, P.C., M.P.
DEPARTMENT	Agriculture
DATE AND MEANS OF INCORPORATION	In 1967, the *Livestock Feed Assistance Act*, (R.S.C. 1970 C. L-9).
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	Denis Ethier
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	1983-84	1982-83	1981-82
At the end of the period				
Total Assets	2.9	2.4	2.6	2.8
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	0.7	0.4	0.6	0.7
Cash from Canada in the period				
— budgetary	18.6	16.7	15.4	17.4
— non-budgetary	nil	nil	nil	nil

CANADIAN LIVESTOCK FEED BOARD

AUDITOR'S REPORT

THE HONOURABLE JOHN WISE, P.C., M.P.
MINISTER OF AGRICULTURE
AND THE
CANADIAN LIVESTOCK FEED BOARD

I have examined the balance sheet of the Canadian Livestock Feed Board as at March 31, 1985 and the statements of operations, equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Board that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Livestock Feed Assistance Act and regulations and the by-laws of the Board.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 4, 1985

BALANCE SHEET AS AT MARCH 31, 1985

ASSETS	1985	1984
	$	$
Current		
Accounts receivable	18,726	9,785
Parliamentary appropriations receivable	2,116,026	1,495,338
	2,134,752	1,505,123
Amounts recoverable under the new inland elevator construction assistance program (Note 3)	811,426	935,528
	2,946,178	2,440,651

LIABILITIES	1985	1984
	$	$
Current		
Accounts payable	112,350	103,854
Contributions payable	2,037,519	1,877,945
	2,149,869	1,981,799
Provision for employee termination benefits	101,809	99,381
	2,251,678	2,081,180
EQUITY OF CANADA		
Equity of Canada	694,500	359,471
	2,946,178	2,440,651

Approved by Management:

PIERRE MORIN
Director of Finance

Approved by the Board:

DENIS ÉTHIER
Chairman

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Contributions		
Feed freight assistance	16,547,673	15,154,070
Local feed grain security assistance	292,030	397,965
New inland elevator construction assistance (Note 3)	86,262	100,000
	16,925,965	15,652,035
Administrative expenses		
Salaries and employee benefits	895,467	826,707
Travel	94,644	97,780
Rentals	75,112	75,030
Accounting and cheque issue services	70,400	66,200
Telephone	57,395	45,434
Stationery and office supplies	54,936	51,404
Postage	38,804	33,910
Professional and special services	36,583	51,545
Equipment and office furniture	36,077	48,742
Publication of reports	32,705	38,165
Office renovations	11,000	
Electricity	8,152	8,689
Advisory committee fees	3,500	3,250
Miscellaneous	13,298	9,060
	1,428,073	1,355,916
	18,354,038	17,007,951
Subscription income		12,797
Cost of operations for the year	18,354,038	16,995,154

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Balance at beginning of the year	359,471	624,517
Parliamentary appropriations	18,618,667	16,663,908
Services provided without charge by a government department	70,400	66,200
	19,048,538	17,354,625
Cost of operations for the year	18,354,038	16,995,154
Balance at end of the year	694,500	359,471

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Source of funds		
Parliamentary appropriations	18,618,667	16,663,908
Amounts recovered under the new inland elevator construction assistance program	37,840	36,868
	18,656,507	16,700,776
Application of funds		
Operations		
Cost of operations for the year	18,354,038	16,995,154
Items not requiring an outlay of funds		
Services provided without charge by a government department	(70,400)	(66,200)
Decrease (increase) in provision for employee termination benefits	(2,428)	4,563
Provision for losses in respect of amounts recoverable under the new inland elevator construction assistance program	(86,262)	(100,000)
	18,194,948	16,833,517
Increase (decrease) in working capital	461,559	(132,741)
Working capital deficiency at beginning of the year	476,676	343,935
Working capital deficiency at end of the year	15,117	476,676

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. Authority and objectives

The Board, a Crown corporation named in Part I of Schedule C to the Financial Administration Act, was established in 1967 under the Livestock Feed Assistance Act with the objective of ensuring:

— the availability of feed grain to meet the needs of livestock feeders;

— the availability of adequate storage space in Eastern Canada for feed grain to meet the needs of livestock feeders; and

— reasonable stability in, and fair equalization of, feed grain prices in Eastern Canada, British Columbia, the Yukon Territory and the Northwest Territories.

2. Significant accounting policies

(a) Contributions

Feed freight assistance is charged to operations in the year in which shipments are made.

Local feed grain security assistance is charged to operations in the year in which admissible costs are incurred by recipients.

New inland elevator construction assistance, net of recoverable amounts, is charged to operations in the year in which admissible costs are incurred by recipients. Write-offs or provisions for losses of amounts previously recorded as recoverable are charged to operations in the year in which collection is considered doubtful.

(b) Capital expenditures

Purchases of equipment, office furniture, vehicles and costs of office renovations are expensed in the year of acquisition.

(c) Parliamentary appropriations

Parliamentary appropriations are recorded in the Statement of Equity of Canada for the year to which they apply.

(d) Services provided without charge

An estimated amount for accounting and cheque issue services provided without charge by a government department is included in expenses with an offset to the equity of Canada.

(e) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(f) Pension plan

All employees participate in the superannuation plan administered by the Government of Canada. The employees and the Board contribute equally to the cost of the plan. This contribution represents the total liability of the Board. Contributions in respect of current service and of admissible past service are expensed when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

3. Amounts recoverable under the new inland elevator construction assistance program

Under the new inland elevator construction assistance program, the Board contributed towards certain construction cost. As at March 31, 1983, all contributions by the Board had been paid to operators of the elevators. These operators are called upon to reimburse, without interest, part of the contributions received. Reimbursements are based on stored quantities from the fourth to the tenth year of operation of the new facility without exceeding 40% of the contribution received.

As at March 31, 1985, the Board estimates that the amounts that will be recovered, net of a provision for losses, total $811,426 ($935,528 as at March 31, 1984). Because of the basis for the calculation of reimbursements, it is not possible to determine the amounts that will be recovered during each applicable year.

SUMMARY PAGE

CANADIAN NATIONAL RAILWAY COMPANY

MANDATE

To operate a national railway system and other transportation and related services, including water transportation, trucking, telecommunications and hotels.

BACKGROUND

The corporation was created out of more than 200 companies, many of them insolvent; its creation avoided the emergence of a monopoly in railway transport. Its role was to meld a number of railway companies into one strong and commercially-competitive system, serving the entire nation. It was recapitalized in 1937, in 1952, and again in 1978. Since 1976, with the exception of 1982, the corporation has operated profitably.

CORPORATION DATA

HEAD OFFICE	935 de la Gauchetière Street West Montreal, Quebec H3B 2M9
STATUS	— Schedule C, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	By the *Canadian National Railway Act*, 1919 which was superseded by the 1955 Act of the same name (R.S.C. 1970, C. C-10).
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	J. Maurice LeClair
PRESIDENT AND CHIEF OPERATING OFFICER	Ronald E. Lawless
AUDITOR	Coopers and Lybrand

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	**1983**	**1982**	**1981**
At the end of the year				
Total Assets	7,467	6,790	6,336	6,134
Obligations to the private sector	2,618	2,269	2,200	1,732
Obligations to Canada	275	283	290	296
Equity of Canada	3,324	3,113	2,841	3,060
Cash from Canada in the year				
— budgetary*	171	175	173	161
— non-budgetary	18	102	4	7

* Does not include payments of a kind made to a general class of recipients.

CANADIAN NATIONAL RAILWAY SYSTEM

AUDITORS' REPORT

TO THE MINISTER OF TRANSPORT

We have examined the consolidated balance sheet of the Canadian National Railway System as at December 31, 1984 and 1983 and the consolidated statements of income, retained earnings and changes in financial position for each of the years in the three year period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the System as at December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1984 in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for foreign exchange translation as set out in Note 1(h) to the consolidated financial statements, on a consistent basis.

Also, in our opinion, the transactions of the corporation and of each subsidiary that have come to our notice in the course of our examination have been within the powers of the System.

COOPERS & LYBRAND
Chartered Accountants

Montreal, Canada
February 25, 1985

CONSOLIDATED BALANCE SHEET
(in thousands of dollars)

ASSETS	December 31 1984	December 31 1983
Current Assets		
Cash		59,544
Accounts receivable	427,622	402,613
Material and supplies	390,362	363,814
Other current assets	201,901	209,269
	1,019,885	1,035,240
Insurance Fund	5,612	5,903
Investments	362,121	36,399
Properties	5,770,982	5,612,173
Other Assets and Deferred Charges	308,011	100,050
	7,466,611	6,789,765

LIABILITIES	December 31 1984		December 31 1983	
Current Liabilities				
Bank loans and other indebtedness		91,687		600
Accounts payable		645,725		591,210
Accrued charges		261,545		247,930
Current portion of long-term debt		119,773		46,667
Other current liabilities		167,900		180,824
		1,286,630		1,067,231
Provision for Insurance		5,612		5,903
Other Liabilities and Deferred Credits		273,071		288,576
Long-Term Debt		2,572,613		2,311,131
Minority Interest in Subsidiary Companies		4,345		4,345
SHAREHOLDER'S EQUITY				
Capital stock of Canadian National Railway Company; 6,523,902 (1983—6,487,502) common shares of no par value authorized, issued and outstanding	2,606,425		2,588,225	
Retained earnings	717,915	3,324,340	524,354	3,112,579
		7,466,611		6,789,765

See accompanying notes to consolidated financial statements.

On behalf of the Board:

ELIZABETH J. HEWES
Director

J. MAURICE LECLAIR
Director

CONSOLIDATED STATEMENT OF INCOME YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1984	1983	1982
CN Rail			
Revenues	3,789,158	3,388,494	2,969,291
Expenses	3,484,726	3,127,800	3,012,609
Income (loss)	304,432	260,694	(43,318)
TerraTransport			
Revenues	53,445	47,839	46,799
Expenses	86,384	82,397	79,193
Loss	(32,939)	(34,558)	(32,394)
Grand Trunk Corporation			
Revenues	524,035	436,464	444,272
Expenses	509,720	448,688	498,777
Income (loss)	14,315	(12,224)	(54,505)
CN Enterprises			
CN Communications			
Revenues	278,887	257,883	244,016
Expenses	239,632	223,402	211,919
Income	39,255	34,481	32,097
CN Hotels			
Revenues	102,186	103,340	110,761
Expenses	104,500	106,107	111,476
Loss	(2,314)	(2,767)	(715)
CN Exploration			
Revenues	31,873	24,667	18,578
Expenses	15,729	14,349	7,474
Income	16,144	10,318	11,104
CN Real Estate			
Revenues	30,544	22,701	19,711
Expenses	15,635	12,166	8,415
Income	14,909	10,535	11,296
Other Businesses			
Income (loss)	(260)	611	(649)
Total CN Enterprises			
Income	67,734	53,178	53,133
CN Route			
Revenues	163,427	169,656	179,769
Expenses	193,192	203,026	226,152
Loss	(29,765)	(33,370)	(46,383)
Miscellaneous			
Loss	(37,894)	(41,283)	(116,075)
Total Continuing Operations	285,883	192,437	(239,542)
CN Marine Inc.			
Income	21,888	19,803	16,507
Income (loss) before amortization of deferred foreign exchange loss, income taxes and extraordinary item	307,771	212,240	(223,035)
Less: amortization of deferred foreign exchange loss	65,427		
income taxes	117,123	99,290	
Income (loss) before extraordinary item	125,221	112,950	(223,035)
Reduction in income taxes on application of prior years' losses	116,730	99,383	
Net income (loss)	241,951	212,333	(223,035)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1984	1983	1982
Balance, beginning of year	524,354	354,487	577,522
Net income (loss) for the year	241,951	212,333	(223,035)
	766,305	566,820	354,487
Dividend	48,390	42,466	
Balance, end of year	717,915	524,354	354,487

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1984	1983	1982
Cash, beginning of year*	58,944	(114,005)	(63,721)
Provided from (used for) operations			
Sources			
Net income (loss) for the year	241,951	212,333	(223,035)
Non-cash charges to income			
Depreciation	260,950	254,006	240,079
Amortization of deferred foreign exchange loss	65,427		
Other amortization	494	508	512
Loss (income) of equity investees less dividends	(16,207)	731	(1,979)
Provision for impairment of investments			97,407
Changes in working capital items**	84,123	195,906	(48,878)
Net proceeds from disposal of assets	31,874	41,728	16,236
Other	(37,894)	54,590	24,321
	630,718	759,802	104,663
Uses			
Additions to properties	713,149	714,413	648,100
Investments	19,569	1,623	4,673
Working capital of previously consolidated subsidiary	15,855		
Dividend	48,390	42,466	
	796,963	758,502	652,773
Net provided from (used for) operations	(166,245)	1,300	(548,110)
Provided from (used in) financing activities			
Issuance of long-term debt	132,140	124,207	536,076
Reduction of long-term debt	(134,726)	(54,358)	(42,550)
Issuance of capital stock	18,200	101,800	4,300
Net provided from financing activities	15,614	171,649	497,826
Net increase (decrease) in cash during the year	(150,631)	172,949	(50,284)
Cash, end of year*	(91,687)	58,944	(114,005)

See accompanying notes to consolidated financial statements.

*Net of current bank loans and other indebtedness.

**Excluding cash and current bank loans and other indebtedness.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

Introduction

All references in these Notes to the "Company" refer to Canadian National Railway Company which is wholly-owned by the Government of Canada and, unless the context otherwise requires, its consolidated subsidiaries, and all references to the "System" mean Canadian National Railway Company and its consolidated subsidiaries together with the lines of railway, marine, telecommunications and other property entrusted by the Government of Canada to the Company for management and operation.

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries except CN Marine Inc. and also include the Company's share of the assets, liabilities, revenues and expenses of CNCP Telecommunications which is accounted for by the proportionate consolidation method; CN's share in the activities of CNCP Telecommunications represents slightly less than two-thirds of the activities of CN Communications. Also, consistent with the legislation governing the System, the accounts of the Canadian Government Railways entrusted to the Company by the Government of Canada are included in the consolidated financial statements. Since, under Orders in Council issued in December 1984, control of CN Marine Inc. passed to the Government of Canada on January 1, 1985 and as it is intended that ownership thereof be transferred from CN to the Government during 1985, that company's accounts have been deconsolidated effective January 1, 1984 and CN's investment in it has been accounted for by the equity method.

Investments in companies in which the Company has less than a majority interest are accounted for by the equity method, where appropriate.

(b) Reporting by Division

In presenting the results by division and CN Enterprises, charges for services performed by one division for another, which are made generally at market value, have not been eliminated. Consolidated net income is not affected by this practice.

(c) Material and Supplies

The inventory is valued at laid down cost based on weighted average cost for ties and rails, latest invoice price for fuel and new materials in stores, and at estimated utility or sales value for usable second hand, obsolete and scrap materials.

(d) Properties

Properties are carried at cost, which, in the case of properties brought into the system on January 1, 1923, is the aggregate of the values then appearing in the books of the railways now comprised in the System, less a write-down of $262.8 million at the time of capital revision in 1937.

Accounting for railway and telecommunications properties is carried out in accordance with rules issued by the Canadian Transport Commission and the Canadian Radio-television and Telecommunications Commission respectively (Canadian properties), and the Interstate Commerce Commission (United States properties). Generally, major additions and replacements are capitalized and interest costs are charged to expense.

The cost of depreciable assets retired or disposed of, less salvage, is charged to accumulated depreciation, in accordance with the group plan of depreciation except for CN Route and CN Hotels divisions which follow the unit plan whereby gains or losses are taken into income as they occur.

(e) Depreciation

Depreciation is calculated at rates sufficient to write off properties over their estimated useful lives, generally on a straight-line basis. For railway and telecommunications properties, rates are authorized by the Canadian Transport Commission, the Canadian Radio-television and Telecommunications Commission and the Interstate Commerce Commission. The rates for significant classes of assets are as follows:

	Annual Rate
Ties	2.89%
Rails	1.87%
Other track material	1.90%
Ballast	2.76%
Road locomotives	5.23%
Freight cars	1.73%-3.18%
Commercial communication systems	6.12%

Hotel properties are depreciated at annual rates of 2% to 10%.

(f) Transportation Revenues

Transportation revenues are generally recognized on completion of movements, with interline movements being treated as complete when the shipment is turned over to the connecting carrier. Costs associated with uncompleted movements are generally deferred.

(g) Pensions

Current service costs are charged to operations as they accrue. Past service costs are charged to operations in annual amounts covering principal and interest over varying periods.

The funding payments are determined in accordance with the accrued benefit actuarial cost method.

(h) Foreign Exchange

Effective January 1, 1984, the Company adopted prospectively the Canadian Institute of Chartered Accountants' recommendations for foreign currency translation. The financial statements and information related to periods prior to 1984 have not been restated for this change in accounting principle.

The Company's foreign operations are classified as integrated and are translated and accounted for on the following bases. Current assets (excluding material and supplies), current liabilities and long-term debt are translated at the rates in effect at the balance sheet date, whereas other assets and other liabilities are translated at historical rates. Revenues and expenses are translated at average rates during the year, except for depreciation which is translated at exchange rates prevailing when the related properties were acquired. Currency gains and losses are reflected in net income for the year except for unrealized foreign currency gains and losses on long-term debt, which are deferred and amortized over the remaining life of the related debt.

The Company's own foreign denominated assets and liabilities are accorded similar treatment. Revenues and expenses are translated at rates prevailing at the time of the transactions.

(i) Leases

Leases which satisfy the criteria for capital leases and which have been entered into after 1981 have been capitalized. Other leases have been recorded as operating leases.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

Note 2: Investments

	Percentage of Voting Interest	December 31 1984	December 31 1983
		(in thousands of dollars)	
Companies accounted for by equity method			
Chicago and Western Indiana Railroad Company	20%	5,916	6,010
CN Marine Inc.*	100%	324,682	
The Toronto Terminals Railway Company	50%	10,682	10,682
Other		15,894	15,146
		357,174	31,838
Other companies and investments, at cost less provisions for impairment where applicable		4,947	4,561
Total		362,121	36,399

*The investment in CN Marine Inc. has replaced the following net assets which were deconsolidated effective January 1, 1984 (see Note 1 (a)).

		(in thousands of dollars)
Net assets January 1, 1984		
Net current assets		15,855
Net property investment		261,516
Net other assets and deferred charges		12,753
		290,124
Changes during 1984		
Investment in capital stock	18,200	
Equity income	21,888	
	40,088	
Less Dividend	5,530	34,558
Net assets—Equity at December 31, 1984		324,682

Note 3: Properties

	December 31 1984 Cost	1984 Accumulated Depreciation	1984 Net	1983 Cost	1983 Accumulated Depreciation	1983 Net
	(in thousands of dollars)					
CN Rail	7,256,076	2,675,878	4,580,198	6,785,361	2,597,619	4,187,742
TerraTransport	100,118	54,646	45,472	98,871	50,311	48,560
Grand Trunk Corporation	553,658	150,214	403,444	537,143	135,287	401,856
CN Enterprises						
CN Communications	709,762	281,943	427,819	674,181	258,557	415,624
CN Hotels	199,035	68,549	130,486	193,352	68,821	124,531
CN Exploration	41,731	5,264	36,467	28,171	2,285	25,886
CN Real Estate	66,261	17,812	48,449	54,492	11,879	42,613
Other Businesses	33,529	1,615	31,914	31,552	26	31,526
CN Route	105,630	56,472	49,158	108,873	54,586	54,287
Miscellaneous	28,783	11,208	17,575	27,525	9,493	18,032
CN Marine Inc.*				302,721	41,205	261,516
	9,094,583	3,323,601	5,770,982	8,842,242	3,230,069	5,612,173
Amounts included above with respect to Canadian Government Railways entrusted to the Company by the Government of Canada	982,132	540,085	442,047	945,772	524,886	420,886

At December 31, 1984 the gross value of assets under capital leases included above was $51.3 million (1983—$38.0 million) and related accumulated amortization thereon amounted to $4.0 million (1983—$2.7 million).

*See Note 1(a).

Note 4: Long-Term Debt

	Maturity	Currency in which payable	December 31 1984	December 31 1983
			(in thousands of dollars)	
Bonds, Debentures and Notes				
Canadian National 5¾%, 25 Year Bonds (a, b)	Jan. 1, 1985	Canadian	63,211	64,168
Canadian National 8⅜%, 10 Year Bonds	Nov. 15, 1986	United States	83,232	83,232
Canadian National 8⅞%, 10 Year Bonds (b)	Mar. 1, 1987	Canadian	46,157	47,924
Canadian National 5%, 27 Year Bonds (a, b)	Oct. 1, 1987	Canadian	97,433	100,141
Canadian National 14⅝%, 10 Year Notes	Dec. 1, 1991	United States	117,817	117,817
Canadian National 9¼%, 20 Year Sinking Fund Debentures	Mar. 15, 1998	United States	124,631	133,533
Canadian National 8⅜%, 25 Year Sinking Fund Debentures	July 1, 2002	United States	95,342	100,639
Canadian National 9⁷⁄₁₀%, 25 Year Sinking Fund Debentures	July 15, 2004	United States	174,940	174,940
Canadian National 13%, 20 Year Sinking Fund Debentures	Nov. 15, 2004	Canadian	100,000	
Canadian National 14%, 25 Year Sinking Fund Debentures	Jan. 15, 2006	United States	178,783	178,783
Canadian National 15%, 25 Year Sinking Fund Debentures	June 1, 2006	United States	181,238	181,238
Canadian National 16¼%, 25 Year Sinking Fund Debentures	Mar. 1, 2007	United States	183,053	183,053
Canadian National 14¾%, 30 Year Sinking Fund Debentures	Sept. 1, 2012	United States	247,984	247,984
Canadian National 12%, 30 Year Sinking Fund Debentures	Mar. 15, 2013	United States	122,548	122,548
Buffalo and Lake Huron 5½%, 1st Mortgage Bonds	Perpetual	Sterling	795	795
Buffalo and Lake Huron 5½%, 2nd Mortgage Bonds	Perpetual	Sterling	1,228	1,228
Total Bonds, Debentures and Notes			1,818,392	1,738,023
Government of Canada Loan and Advances (c)				
Government of Canada loan		Canadian	260,331	268,377
Canadian Government Railways advances for working capital		Canadian	14,075	14,075
Total Government of Canada Loan and Advances			274,406	282,452
Other				
Amounts owing under equipment purchase agreements (d)		United States	160,993	183,637
Swiss borrowings (e)		Swiss Francs	129,158	129,158
Capital lease obligations (f)		Various	42,509	30,297
Promissory note 9⅝% (g)		Canadian	1,423	1,703
Income debenture (h)		Canadian	8,243	
Adjustment to current exchange rate (see Note 1(h))			271,660	
Total Other			613,986	344,795
			2,706,784	2,365,270
Less: current portion of long-term debt (1984 at current exchange rates, 1983 at historical exchange rates)			119,773	42,273
Other			14,398	11,866
			134,171	54,139
Long-Term Debt			2,572,613	2,311,131

(a) Guaranteed by the Government of Canada.

(b) These bonds are subject to repurchase arrangements.

(c) $213.5 million of the Government of Canada loan bears interest at 8¾% per annum and is payable in equal semi-annual payments of $13.63 million covering principal and interest to June 30, 1998. Terms and conditions pertaining to the balance have not yet been finalized. The weighted average interest rate on the $213.5 million loan and the advances outstanding at December 31, 1984 and 1983, was approximately 8.2% per annum.

(d) Secured by rolling stock and payable by semi-annual or quarterly instalments over various periods to 1995 at interest rates ranging from 8% to 17¾%. As at December 31, 1984, the principal amounts are payable as U.S. $153.0 million (December 31, 1983—U.S. $174.7 million).

(e) A private placement of 100 million Swiss Francs bearing interest at 5⅛%, repayable on March 16, 1988, and a bank loan of 100 million Swiss Francs bearing interest at 5½% and repayable on April 8, 1988. Both are subject to earlier repayment at the Company's option.

(f) Interest rates for these leases range from approximately 10¾% to 15¾% with expiry dates occurring during the years 1985 through 2003. The imputed interest on these leases amounts to $44.4 million (1983—$15.1 million).

(g) Repayable by semi-annual instalments of $218,503, including principal and interest, to August 1, 1988.

(h) Payment of non-cumulative annual interest at 16.55% and repayment of principal during the term and at maturity of the debenture in 2008 is conditional on the annual financial results of one of the Company's operations.

(i) Principal repayments, including sinking fund repayments and repurchase arrangements, on debt outstanding at December 31, 1984, as follows:

	(in thousands of dollars)
Year ending December 31	
1985	119,773
1986	167,476
1987	205,423
1988	238,529
1989	73,671
1990-1994	628,017
1995-1999	527,849
2000-2004	416,352
2005-2009	169,178
2010-2013	81,284

Note 5: Shareholder's Equity

(a) Capital Stock

During the year, 36,400 shares (1983—203,600) of the no par value common stock of the Company were issued to the Government of Canada at a value of $18,200,000 (1983—$101,800,000) in completion of an arrangement, whereby the Government purchased shares in the capital stock of the Company as a contribution to the cost of CN Marine Inc.'s capital projects. The aggregate value of shares issued to December 31, 1984 under this arrangement was $157,590,000.

(b) Retained Earnings

Under its governing legislation, the Company is required to pay to the Receiver General for Canada a dividend equal to 20% of net income for the year or such greater percentage as the Governor in Council may direct. Accordingly, a dividend representing 20% of the net income for the year has been accrued and is included in Other current liabilities.

Note 6: Major Commitments

(a) Leases

(i) The Company's commitments as at December 31, 1984, under leases, excluding those which have been capitalized and for which the lease obligations are recorded as long-term debt (see Note 4), are as follows:

Non-Cancellable Leases

	Capital Leases	Operating Leases
	Year ending December 31 (in thousands of dollars)	
1985	50,414	62,652
1986	45,059	55,764
1987	43,302	51,974
1988	40,282	48,195
1989	32,562	44,460
1990-1994	28,282	97,449
1995-1999	4,596	44,942
thereafter	1,891	8,133
Total minimum lease payments	246,388	413,569
Less amount representing imputed interest	60,459	
Present value of net minimum lease payments under capital leases	185,929	

A significant portion of the leases is in respect of railway rolling stock and many of them provide renewal options and an option to purchase the property at fair market value at the end of the lease term.

(ii) Rental expenses under all lease arrangements were:

	1984	1983	1982
	Year ended December 31 (in thousands of dollars)		
Total expenses	197,041	169,328	176,073
Expenses under capital leases not included in long-term debt	49,380	46,899	47,779

(iii) Net change in income and increases in assets and liabilities in the consolidated financial statements, which would have arisen if leases entered into prior to 1982 and which satisfied the criteria for capital leases had been capitalized, are as follows:

	1984	1983	1982
	Year ended December 31 (in thousands of dollars)		
Net increase in income	3,036	2,272	596
Increase in Assets			
Properties			
Leased properties under capital leases	293,825	295,782	296,019
Less accumulated amortization	193,172	172,959	152,292
	100,653	122,823	143,727
Other assets and deferred charges			
Unamortized deferred exchange loss	23,323		
	123,976	122,823	143,727
Increases in Current Liabilities			
Present value of obligations under capital leases	33,954	28,500	25,817
Increase in Non-Current Liabilities			
Present value of obligations under capital leases	154,832	186,288	208,292
Adjustment to current exchange rate (see Note 1(h))	31,097		
	185,929	186,288	208,292
Less current portion	33,954	28,500	25,817
	151,975	157,788	182,475

(b) Other

The Company has commitments at December 31, 1984, for capital expenditures of $124.5 million for railway ties and $104.9 million for rolling stock.

Note 7: Subsidies

Revenues include the following subsidies:

	Year ended December 31		
	1984	1983	1982
	(in thousands of dollars)		
Government of Canada			
(a) Payments under the Railway Act paid under authority of that Act and the related Appropriation Act in respect of certain uneconomic operations, services and prescribed rates which railways are required by the Railway Act to maintain	48,762*	205,468	229,494
(b) Interim payments to partially offset revenue shortfalls associated with the cost of carrying grain at uneconomic statutory rates	8,660*	228,452	
(c) Maritime Freight Rates Act and Atlantic Region Freight Assistance Act subsidies	20,727	17,361	16,161
(d) Other	2,433	6,154	6,529
Other	168	168	803
	80,750	457,603	252,987

* Effective January 1, 1984, the Western Grain Transportation Act provided for increases in rail freight rates for certain grains and grain products, most of which were previously carried at uneconomic statutory rates. The new rates enable the Company to recover substantially all of the costs of carrying grain traffic through tariff charges being paid partly by the Government of Canada and partly by shippers. Concurrently, apart from a final delayed payment received in 1984, the interim payments referred to in (b) above ceased, as did the payments included in (a) above for branch lines that ceased to be uneconomic.

Note 8: Pensions

The Company has retirement benefit plans covering substantially all its employees under which they are entitled to benefits at retirement age generally based on compensation and length of service and/or contributions. Annual pension costs were as follows:

Year ended December 31		
1984	1983	1982
(in thousands of dollars)		
167,156	138,252	185,359

The effect of the most recent actuarial valuation was a reduction of $46.4 million in 1984 pension costs (1983—$47.1 million).

The total amount of past service costs remaining to be charged to operations at December 31, 1984, 1983 and 1982 based on the latest actuarial valuation at the time and adjusted for subsequent changes, aggregate:

	At December 31		
	1984	1983	1982
	(in thousands of dollars)		
Canadian plans	1,480,297	1,415,981	1,526,280
U.S. plans	13,347	13,682	13,710
	1,493,644	1,429,663	1,539,990

The past service costs relating to the Canadian plans at December 31, 1984 will be charged to operations in annual amounts, including principal and interest, as follows:

	Annual Cost (in thousands of dollars)
1985	96,182
1986	162,959
1987	150,380
1988	158,842
1989	167,769
1990	177,188
1991	187,124
1992	173,984
1993	157,413
1994	161,924
1995	171,066
1996	174,200
1997	128,463
1998	100,047
1999	97,367
2000	102,722
2001	108,372
2002	51,882
2003	54,735
2004	57,746
2005	60,922
2006	64,273

The major portion of the past service costs relating to the U.S. plans at December 31, 1984 will generally be amortized at an annual rate of $1.6 million including principal and interest to 1993 inclusive.

In 1984 and 1983, charges to operations exceeded funding by $36.6 million and $25.4 million respectively whereas for the year 1982 funding exceeded the charge to operations by $4.3 million. The cumulative excess of charges to operations over funding requirements amounts to $118.2 million (1983—$81.6 million) of which $54.1 million (1983—nil) is included in Current Liabilities and $64.1 million (1983—$81.6 million) is included in Other Liabilities and Deferred Credits.

The actuarially-computed value of vested benefits at December 31, 1981, the date of the latest actuarial valuation, exceeded the total of the pension funds at that date by $214.8 million.

Note 9: Miscellaneous Loss

Miscellaneous loss consists of the following:

	Year ended December 31		
	1984	1983	1982
	(in thousands of dollars)		
Miscellaneous revenues	1,887	1,851	1,839
Interest			
Total interest on long-term debt	281,097	274,180	236,206
Amortization of foreign exchange on long-term debt	65,427		
Interest on short-term borrowings	15,907	7,950	7,182
Interest on investments	(13,320)	(13,687)	(3,015)
Total interest (net)	349,111	268,443	240,373
Interest assigned to divisions	(261,407)	(248,507)	(214,169)
Amortization shown separately on income statement	(65,427)		
	22,277	19,936	26,204
Other expense (net)*	17,504	23,198	91,710
Total expenses	39,781	43,134	117,914
Total miscellaneous loss	37,894	41,283	116,075

* Other expense (net) consists of general corporate income and expenses and in 1982 included a provision of $61.5 million for impairment of the value of a portfolio investment.

Note 10: Income Taxes

(a) The Company has timing differences of approximately $500 million which are available to reduce taxable income of future years. Of that amount, about $200 million is due to the excess of the undepreciated capital cost for income tax purposes over the net book value of depreciable assets.

In addition, the following investment tax credits are also available to reduce future income taxes otherwise payable until the related year of expiry:

Year of Expiry	(in millions of dollars)
1985	28.2
1986	35.0
1987	32.0
1988	4.2
1990	25.7
1991	35.1

The Company is eligible for a refund of 20% of the current year's investment tax credits in respect of qualified expenditures and has recognized the resulting benefit of $8.8 million in "Miscellaneous".

(b) The Company's provision for income taxes is made up as follows:

	1984	1983
	(in thousands of dollars)	
Provision for income taxes based on combined basic Canadian federal and provincial tax rate of 48.0% (1983—48.6%)	116,325	103,149
Increase (decrease) in taxes resulting from:		
Non-allowable scientific research expenditures, net of proceeds from sale of related tax credits	5,469	
Refundable investment tax credits	(4,224)	(3,062)
Profit on sale of land	(4,076)	(2,221)
Other	3,629	1,424
Actual provision for income taxes resulting in an effective tax-rate of 48.3% (1983—46.9%)	117,123	99,290

Note 11: Segmented Information

(a) Geographic Areas

Virtually all of the System's operations and assets are within Canada with the exception of Grand Trunk Corporation which operates in the United States.

(b) International Traffic

In addition to the revenue generated by Grand Trunk Corporation, the System derives revenue from traffic originating or terminating on railroads in the United States. In 1984, such revenues approximated $662 million (1983—$581 million, 1982—$528 million).

(c) Identifiable Assets by Division

	December 31		
	1984	1983	1982
	(in thousands of dollars)		
CN Rail	5,332,545	4,886,466	4,612,860
TerraTransport	56,920	57,901	65,616
Grand Trunk Corporation	605,774	591,851	586,727
CN Enterprises			
CN Communications	486,828	471,750	463,827
CN Hotels	156,482	138,783	138,781
CN Exploration	42,035	31,111	20,845
CN Real Estate	66,987	57,720	52,046
Other Businesses	42,212	51,287	45,480
CN Route	87,821	90,564	92,531
Miscellaneous	589,007	103,149	52,596
CN Marine Inc.*		309,183	204,662
Total assets per Consolidated Balance Sheet	7,466,611	6,789,765	6,335,971

(d) Capital Expenditures and Depreciation by Division

	Capital Expenditures**			Depreciation		
	Year ended December 31					
	1984	1983	1982	1984	1983	1982
	(in thousands of dollars)					
CN Rail	596,882	508,318	469,057	183,178	166,463	161,692
TerraTransport	2,912	1,202	1,276	5,237	4,044	3,361
Grand Trunk Corporation	18,231	11,264	26,161	12,772	13,366	13,553
CN Enterprises						
CN Communications	54,061	45,631	62,260	42,323	40,679	36,374
CN Hotels	14,728	5,074	6,168	5,725	5,748	5,932
CN Exploration	16,987	15,216	11,988	2,992	2,028	
CN Real Estate	231	10,747	1,661	709	637	451
Other Businesses	506	8,736	34,101	1,035	822	730
CN Route	8,223	8,164	4,696	5,741	7,524	8,380
Miscellaneous	388	372	280	1,238	1,093	1,089
CN Marine Inc.*		99,689	30,452		11,602	8,517
	713,149	714,413	648,100	260,950	254,006	240,079

*See Note 1(a).
**Represents additions to property, plant and equipment.

Note 12: Other Matters

(a) The Company carries on ordinary business transactions with various entities controlled by the Government of Canada on the same terms and conditions as current transactions with unrelated parties.
In addition, the Company provides, under contractual arrangements, rail transportation and maintenance and marine services to the Government of Canada and to entities controlled by the latter. The revenue derived from such services rendered in 1984 aggregated $364.8 million (1983—$462.2 million, 1982—$487.3 million).

(b) Commencing in 1977, the Government of Canada has agreed to pay to the Company, by way of capital grants not exceeding $557.9 million, certain amounts with respect to expenditures incurred in carrying out rehabilitation programs for branch lines in Western Canada. Total payments received up to December 31, 1984, amounted to $353.2 million of which $64.8 million was received in 1984 (1983—$50.2 million).

(c) As part of a program commenced in 1981 for the testing and evaluation of railway operations in Newfoundland, the Government of Canada reimbursed CN for certain wage and wage-related costs. Total billings under this program amounted to $4.1 million in 1984 (1983—$18.4 million).

Note 13: Reclassification of Comparative Figures

During 1984, changes were made to improve the classification of certain items and for comparative purposes the 1983 and 1982 figures have been reclassified. In the case of the deconsolidation referred to in Note 1 (a), the comparative figures have been reclassified in the Consolidated Statement of Income. Other reclassifications have arisen from the combination in 1984 of CN Trucking and CN Express into a new division called CN Route and, in CN Hotels division, the expiry in 1984 of the Hilton contract for management of two major hotels.

APPENDIX

CN MARINE INC.

AUDITORS' REPORT

TO THE SHAREHOLDER OF
CN MARINE INC.

We have examined the balance sheet of CN Marine Inc. as at December 31, 1984 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The comparative figures are based on financial statements which were reported upon by other auditors.

MALLETTE, BENOIT, BOULANGER,
RONDEAU & ASSOCIÉS
Chartered Accountants

Montreal, Canada
February 8, 1985

BALANCE SHEET AS AT DECEMBER 31, 1984
(in thousands of dollars)

ASSETS	1984	1983
Current		
Cash	34	7,361
Accounts receivable	23,717	15,613
Due from parent company	36,465	26,685
Material and supplies	7,933	6,970
Prepaid expenses	1,249	1,331
	69,398	57,960
Long-term receivables	1,640	3,485
Fixed (Note 2)	291,908	261,516
Other asset and deferred charges	79	13,902
	363,025	336,863

LIABILITIES	1984	1983
Current		
Accounts payable and accrued charges	37,518	35,796
Deferred revenue	5	10,553
Current portion of long-term debt	58	146
	37,581	46,495
Long-term debt (Note 3)		58
Deferred income taxes	41,043	30,546
Deferred credits	1,132	
Provision for vessel refits	159	787
Provision for personal injury	941	869
	80,856	78,755
SHAREHOLDER'S EQUITY		
Capital stock (Note 4)		
Authorized		
Unlimited number of shares without nominal or par value		
Issued and fully paid		
517,061 common shares (1983—480,661)	258,530	240,330
Retained earnings	23,639	17,778
	282,169	258,108
	363,025	336,863

Signed on behalf of the Board:

D. WILSON
Director

R.J. TINGLEY
Director

APPENDIX—*Continued*

CN MARINE INC.—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Revenue		
Operations	206,314	197,355
Expenses		
Operations	177,901	167,152
Depreciation and amortization	12,443	11,602
Interest on long-term debt	5	34
	190,349	178,788
	15,965	18,567
Interest income	3,023	1,236
Income before provision for income taxes and extraordinary item	18,988	19,803
Provision for income taxes	9,657	10,218
Income before extraordinary item	9,331	9,585
Extraordinary item (Note 5)	2,060	
Net income for the year	11,391	9,585
Retained earnings, beginning of year	17,778	11,726
	29,169	21,311
Dividends	5,530	3,533
Retained earnings, end of year	23,639	17,778

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Source of working capital		
Operations		
Net income before extraordinary item	9,331	9,585
Items not affecting working capital		
Depreciation	12,132	11,602
Amortization of deferred charges	311	
Deferred income taxes	10,497	10,218
Provision for vessel refits	(628)	(140)
Provision for personal injury	185	174
Funds from operations	31,828	31,439
Extraordinary item	2,060	
Transfer of other asset to fixed assets	12,900	
Issuance of capital stock	18,200	101,800
Net proceeds from disposal of fixed assets	217	497
Decrease in long-term receivables	1,845	
Increase in deferred credits	1,132	
Decrease in deferred charges	1,415	
	69,597	133,736
Application of working capital		
Additions to fixed assets	42,741	99,689
Increase in other asset and deferred charges	803	13,078
Increase in long-term receivables		2,188
Dividends	5,530	3,533
Decrease in long-term debt	58	57
Decrease in provision for personal injury	113	107
	49,245	118,652
Increase in working capital	20,352	15,084
Working capital (deficiency), beginning of year	11,465	(3,619)
Working capital, end of year	31,817	11,465

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1984

1. Summary of significant accounting policies

Material and supplies

Inventories are valued at the lower of cost and replacement cost. Cost is determined on a weighted average basis.

Fixed assets

Fixed assets are carried at cost less accumulated depreciation.

Depreciation

Depreciation is calculated at rates sufficient to write off properties over their estimated useful lives, generally on a straight-line basis. Assets acquired from the Canadian National Railway Company in 1979 are depreciated based on the original cost to the Ministry of Transport of $197.7 million. The rates for significant classes of assets are as follows:

Vessels	5%
Terminal properties	2.5%
Equipment	2.5%, 10%, 12.5% and 25%

Shipbuilding subsidies

Shipbuilding subsidies available on fixed assets acquired through long-term construction contracts are accrued on the percentage completion basis and applied to reduce the cost of assets under construction.

Deferred charges

Deferred charges are accounted for at cost.

Deferred credits

The deferred credits representing investment tax credits are accrued when the qualifying expenditures are made and when there is reasonable assurance that the credits will be realized.

Amortization of deferred credits

The amortization of the deferred investment tax credits is calculated using the same method and rates as those used for the fixed assets to which they relate.

Provision for personal injury

The provision for personal injury reflects provincial Workers' Compensation Board estimates of the cost of long-term payments required for existing disability awards.

Contract revenue

Accrued vacation pay and vessel refit costs are considered recoverable in the future through contracts with the Ministry of Transport. Accordingly, the company has accrued an equal amount of contract revenue.

Vessel spare parts

The company maintains spare parts for vessels in service. The acquisition of spare parts is charged to operations in the period the purchase is made.

Pensions

Substantially all employees of the company are covered for retirement benefits under the 1935 and 1959 Pension Plans of Canadian National Railway Company. Current service costs are charged to operations as they accrue, past service costs are charged to operations in annual amounts covering principal and interest over varying periods to 2006.

The funding payments are determined in accordance with the accrued benefit actuarial cost method.

Income taxes

The company's income is reported for income tax purposes as part of the Canadian National Railway System. The company computes its income taxes on a separate return basis and remits its current income taxes otherwise payable to its parent, the Canadian National Railway Company.

Income taxes are provided at current rates for all items included in the statement of income regardless of the period in which such items are reported for tax purposes. The deferred income tax balance represents income taxes deferred by claiming depreciation for tax purposes in excess of that recorded in the accounts.

2. Fixed assets

	1984			1983
	Cost	Accumulated depreciation and amortization	Net	Net
	(in thousands of dollars)			
Vessels	145,352	34,573	110,779	112,510
Terminal properties	59,126	11,622	47,504	47,044
Equipment	9,923	6,324	3,599	2,672
Leasehold improvements	603	114	489	625
Asset under capital lease				218
	215,004	52,633	162,371	163,069
Assets under construction (Note 7)	129,537		129,537	98,447
	344,541	52,633	291,908	261,516

Included in assets under construction are payments to a shipbuilder which exceed the value of work completed as at December 31, 1984 by \$31.6 million (1983—\$60.8 million).

Shipbuilding subsidies applied to reduce the cost of assets under construction amount to \$7.8 million (1983—\$2.4 million).

3. Long-term debt

	1984	1983
	(in thousands of dollars)	
Unsecured non-interest bearing debt, due August 1985, payable \$33,333 U.S. annually	33	67
Unsecured non-interest bearing debt, due December 1985, payable \$24,508 annually	25	49
Capital lease obligation, maturing in 1984, having minimum lease payments in 1984 totalling \$92,700 less an amount of \$4,700 representing imputed interest at 13%		88
	58	204
Less: current portion	58	146
Total long-term debt		58

4. Capital stock

During the year, the company issued 36,400 common shares for a consideration of \$18.2 million to the Canadian National Railway Company.

The company is required to have the approval of the Minister of Transport to declare dividends in excess of 45% of current earnings.

5. Extraordinary item

	1984	1983
	(in thousands of dollars)	
Gain on disposal of ship, less applicable deferred income taxes of \$840,000	2,060	

Following the receipt by the company of net proceeds on disposal of the ship in the amount of \$2,900,000, Transport Canada invoked section 33(1) of the Tripartite Agreement dated May 9, 1979. According to this section of the Tripartite Agreement, Transport Canada has the right to claim, as an adjustment to contract payments in the year of occurrence, an amount equal to the proceeds on disposal of assets which it considers surplus to the company's requirements.

Accordingly, contract revenues for the year ended December 31, 1984 were decreased by \$2,900,000 and accounts payable as at December 31, 1984 increased by the same amount.

6. Operating leases

The company makes use of property which is available through operating leases.

The minimum lease payments are as follows:

	(in thousands of dollars)
1985	10,186
1986	2,492
1987	1,588
1988	1,394
1989	416
1990	176
Total minimum lease payments	16,252

7. Major commitment

The amount required to complete contracted fixed assets under construction is estimated to be \$19.6 million.

8. Contingencies

The company has received a claim of approximately \$22 million from the builder of one of the company's new vessels. The company has filed a claim of approximately \$21 million. The matter is in arbitration. Any resulting financial settlement is expected to be accounted for on the basis of a prior period adjustment.

9. Related party transactions

The company provides marine ferry services under contractual arrangements to the Government of Canada and to its parent company. The revenue derived from such services amounted to \$164.2 million during 1984 (1983—\$155 million). Goods and services received from affiliated companies amounted to approximately \$18.7 million during 1984 (1983—\$18.5 million).

Interest income received from the parent company amounted to \$3.0 million during 1984 (1983—\$1.2 million).

10. Important event

Under Orders in Council issued in December 1984, control of the company passed to the Government of Canada on January 1, 1985 and it is intended that ownership thereof be transferred from the Canadian National Railway Company to the Government in 1985.

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LTD.

MANDATE

To collect moneys due to it from the sale of eight steamships to Cuban interests.

BACKGROUND

The corporation, which provided a steamship service to the West Indies, has been inactive since 1958 when its fleet of ships was sold to Banco Cubana of Havana. In 1959, the corporate management was transferred to federal government officials for the purpose of collecting the proceeds from the sale. An irrevocable letter of credit issued through the Bank of America to cover the final principal payment was not honoured due to the passing of the Cuban Assets Control Regulations by the U.S. Government on July 3, 1963. The sole purpose of maintaining the company has been to collect the outstanding principal plus interest, totalling $0.9 million as of December 31, 1984; however, authority to dissolve the corporation has now been granted by Parliament through Bill C-60.

CORPORATION DATA

HEAD OFFICE	Tower C Place de Ville Ottawa, Ontario K1A 0N5
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	Created by CNR in 1927 under the *Dominion Companies Act* and continued (78/11/21) under the *Canada Business Corporations Act*.
CHIEF EXECUTIVE OFFICER	Stanley L. Allen
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	**1983**	**1982**	**1981**
At the end of the year				
Total Assets	1.0	0.9	0.8	0.7
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	0.3	0.3	0.3	0.3
Equity of Canada	0.6	0.6	0.5	0.4
Cash from Canada in the year				
— budgetary	nil	nil	nil	nil
— non-budgetary	nil	nil	nil	nil

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS LTD.

AUDITOR'S REPORT

THE HONOURABLE DON MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of Canadian National (West Indies) Steamships Ltd. as at December 31, 1984 and the statement of income and retained earnings for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Business Corporations Act and the by-laws of the Corporation.

RAYMOND DUBOIS, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 15, 1985

BALANCE SHEET AS AT DECEMBER 31, 1984

ASSETS	1984	1983
	$	$
Cash	1,448	1,465
Deposit with Receiver General for Canada	95,000	95,000
Blocked funds (Note 2)	878,582	791,753
	975,030	888,218

LIABILITIES	1984	1983
	$	$
Filing fee payable		30
Matured bonds—Unclaimed (Note 3)	14,025	14,025
Due to Canada (Note 4)	324,024	324,024
	338,049	338,079
EQUITY OF CANADA		
Capital stock		
Authorized and issued		
10 Class A shares without nominal or par value	976	976
Retained earnings	636,005	549,163
	636,981	550,139
	975,030	888,218

Approved by the Board of Directors:

W. A. KENNETT
Director

STANLEY L. ALLEN
Director

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS LTD.—*Concluded*

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
	$	$
Interest income	86,872	74,096
Filing fee	30	30
Net income for the year	86,842	74,066
Retained earnings at beginning of the year	549,163	475,097
Retained earnings at end of the year	636,005	549,163

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. Authority and activities

The Corporation is continued under the Canada Business Corporations Act and is a parent Crown corporation named in Schedule C Part I to the Financial Administration Act. It ceased all active operations in 1957, at which time it sold its fleet of eight vessels to Cuban interests.

2. Blocked funds

The final installment of $470,400 on the sale of the eight vessels to Cuban interests was due to be paid August 19, 1963 by an irrevocable letter of credit issued through BankAmerica International (then known as Bank of America). However, on July 3, 1963, the United States Cuban Assets Control Regulations became effective and prohibited the Bank from honouring payment of the draft. Amendments to the Regulations, effective March 2, 1979 required blocked funds to be held in an interest-bearing account. At December 31, 1984, accumulated interest amounted to $408,182 (1983—$321,353).

Negotiations to obtain a preferred status in order to receive the blocked funds have not been successful. In the opinion of management, based on legal counsel, these funds will be collected when the Regulations are repealed. A waiver of the application of the statute of limitations has been obtained until January 1, 1989, and further extensions will be obtained as required.

3. Matured bonds—Unclaimed

The matured bonds have been unclaimed since March 31, 1955 and as a result of the statute of limitations there is no legal obligation to redeem them. However, the Corporation intends to honour any of the outstanding bonds should they be presented.

4. Due to Canada

The advances from Canada bear no interest and are repayable when the blocked funds are received.

SUMMARY PAGE

CANADIAN PATENTS AND DEVELOPMENT LIMITED

MANDATE

To secure optimum benefits to Canada from commercially utilizable technology accruing to the Crown from expenditure of federal funds.

BACKGROUND

The corporation makes available to the public the industrial and intellectual property resulting from government-funded research and development. It makes licensing arrangements with industry and moneys received thereby are used to cover most of its operating expenses. Awards are paid to inventors under the *Public Service Inventors Act*.

CORPORATION DATA

HEAD OFFICE	275 Slater Street Ottawa, Ontario, K1A 0R3
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Sinclair Stevens, P.C., Q.C., M.P.
DEPARTMENT	Regional Industrial Expansion
DATE AND MEANS OF INCORPORATION	Letters Patent under the *Companies Act* - 47/10/24.
CHIEF EXECUTIVE OFFICER	W. Dallas Gordon
CHAIRMAN	William F. Graydon
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**	**1982-83**	**1981-82**
At the end of the period				
Total Assets	1.3	1.7	1.5	1.7
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	0.7	0.9	0.9	1.1
Cash from Canada in the period				
— budgetary	0.4	0.4	nil	nil
— non-budgetary	nil	nil	nil	nil

CANADIAN PATENTS AND DEVELOPMENT LIMITED

AUDITOR'S REPORT

THE HONOURABLE SINCLAIR STEVENS, P.C., M.P.
MINISTER OF REGIONAL INDUSTRIAL EXPANSION

I have examined the balance sheet of Canadian Patents and Development Limited as at March 31, 1985 and the statements of operations and surplus, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Business Corporations Act and by-laws of the Corporation.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
May 31, 1985

BALANCE SHEET AS AT MARCH 31, 1985

ASSETS	1985	1984
	$	$
Current		
Cash	141,232	211,939
Term deposits	570,000	590,000
Accounts receivable	348,464	623,000
Accrued interest	7,430	6,519
Prepaid expenses	11,171	7,947
	1,078,297	1,439,405
Investment in Canada bonds (market value: 1985—$218,750; 1984—$204,575)	247,500	247,500
Industrial and intellectual property rights (Notes 2, 3 and 5)	1	1
Experimental equipment on loan to a licensee (Note 4)	1	1
	1,325,799	1,686,907

LIABILITIES	1985	1984
	$	$
Current		
Accounts payable and accrued liabilities	401,465	553,120
Royalties received in advance	53,562	48,344
	455,027	601,464
Provision for employee termination benefits	176,002	151,071
	631,029	752,535
EQUITY OF CANADA		
Capital stock		
Authorized—10,000 shares of no par value		
Issued—5,000 shares fully paid	296,199	296,199
Surplus	398,571	638,173
	694,770	934,372
	1,325,799	1,686,907

Approved by the Board:

W. D. GORDON
Director

DENNIS P. DEMELTO
Director

STATEMENT OF OPERATIONS AND SURPLUS FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Revenue		
Royalties	1,450,845	1,442,560
Interest on investments	96,315	78,900
Service charges under agency agreements	48,465	52,179
Interest charged on overdue accounts	6,288	22,190
Miscellaneous	5,269	13,576
	1,607,182	1,609,405
Expenses		
Salaries and employee benefits	1,111,460	1,040,331
Industrial and intellectual property agents' fees and related expenses, for obtaining and maintaining proprietary protection (Note 5)	359,711	244,624
Accommodation, equipment and other rentals	206,051	136,521
Amounts paid or owing to third parties in respect of royalty revenue	145,857	151,643
Awards to inventors	105,900	95,616
Legal fees	105,149	85,758
Professional and special services	54,689	47,171
Office supplies, printing, furnishings and equipment	45,160	48,464
Communications	33,259	32,788
Travel and removal	27,165	36,888
Miscellaneous	1,274	2,190
Bad debts	1,109	8,005
	2,196,784	1,929,999
Cost of operations	589,602	320,594
Parliamentary appropriation	350,000	350,000
Excess of parliamentary appropriation over cost of operations (cost of operations over parliamentary appropriation) for the year	(239,602)	29,406
Surplus at beginning of the year	638,173	608,767
Surplus at end of the year	398,571	638,173

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Working capital provided		
Parliamentary appropriation	350,000	350,000
	350,000	350,000
Working capital applied		
Cost of operations	589,602	320,594
Provision for employee termination benefits not requiring an outlay of funds	(24,931)	(27,043)
	564,671	293,551
Increase (decrease) in working capital	(214,671)	56,449
Working capital at beginning of the year	837,941	781,492
Working capital at end of the year	623,270	837,941

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1985

1. Authority and operations

Canadian Patents and Development Limited is a Crown corporation named in Part I of Schedule C to the Financial Administration Act and is incorporated under the Canada Business Corporations Act. The Corporation was established to make available to the public, through licensing arrangements with industry, the industrial and intellectual property which results from publicly-funded research and development.

The Corporation receives and processes industrial and intellectual property under arrangements with federal government departments, Crown corporations and agencies, universities, and other publicly-financed institutions. Suitable protection is sought in Canada and other countries for such property in instances where there is a promise of commercial use. In respect of money received from the exploitation of such property, the Corporation pays awards to public servants under the Public Servants Inventions Act and makes payments to other originators of such property in accordance with the agreements entered into with them.

2. Significant accounting policies

Investment in Canada bonds

Canada bonds are carried at cost since it is management's intention to hold them to maturity in 1989.

Industrial and intellectual property rights

Industrial and intellectual property rights are recorded at a nominal value of $1. The net cost of acquisition, protection and maintenance of industrial and intellectual property rights is charged to operations as incurred (Notes 3 and 5).

Experimental equipment on loan to a licensee

Experimental equipment on loan to a licensee is recorded at a nominal value of $1. The cost of this equipment is charged to operations in the year of acquisition.

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded as the benefits accrue to the employees.

Parliamentary appropriations

Parliamentary appropriations are recorded when received.

Pension plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contributions to the cost of the Plan under present legislation are limited to an amount equal to the employees' contributions on account of current service. These contributions, which amounted to $58,369 for the period ended March 31, 1985, (1984—$53,550) represent the total pension obligations of the Corporation and are recognized in the accounts on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account or with respect to charges to the Consolidated Revenue Fund for indexation payments under the Supplementary Retirement Benefits Act.

3. Industrial and intellectual property rights

The accumulated cost of current inventory of unexpired patent and other rights in respect of industrial and intellectual property amounts to $2,441,566 (1984—$2,128,966).

4. Experimental equipment on loan to a licensee

The accumulated cost of experimental equipment purchased under active development contracts and held by a licensee amounts to $123,500 (1984—$123,500).

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

5. Industrial and intellectual property agents' fees and related expenses, for obtaining and maintaining proprietary protection

	1985	1984
	$	$
Fees and related expenses	505,971	390,490
Less: recoveries	146,260	145,866
	359,711	244,624

6. Lease commitments

Under a lease agreement dated September 30, 1983 the Corporation pays an annual rent of $169,425 for accommodation. The period covered by this agreement is November 1, 1983 to October 31, 1988.

SUMMARY PAGE

CANADIAN SALTFISH CORPORATION

MANDATE

To regulate interprovincial and export trade in saltfish from participating provinces (Quebec - Lower North Shore, and Newfoundland) to improve earnings of primary producers of cured cod fish.

BACKGROUND

By its enabling legislation the corporation must buy all saltfish offered to it which is of reasonable quality, and must conduct its operations on a self-sustaining basis without appropriations.

CORPORATION DATA

HEAD OFFICE	Saltfish Building Torbay Road P.O. Box 6088 St. John's, Newfoundland A1C 5X8
STATUS	— Schedule C, Part I — an agent of her Majesty
APPROPRIATE MINISTER	The Honourable John Fraser, P.C., Q.C., M.P.
DEPARTMENT	Fisheries and Oceans
DATE AND MEANS OF INCORPORATION	Created by the *Saltfish Act* (R.S.C. 1970, C.37, 1st supplement)
CHIEF EXECUTIVE OFFICER	Bill Moyse (Acting)
CHAIRMAN	Donald D. Tansley
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	1983-84	1982-83	1981-82
At the end of the period				
Total Assets	14.5	18.3	18.9	12.6
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	12.3	14.1	8.4	1.7
Equity of Canada	(3.3)	0.4	5.4	5.4
Cash from Canada in the period				
— budgetary	nil	nil	nil	nil
— non-budgetary, net	(1.8)	5.7	6.7	(0.3)

CANADIAN SALTFISH CORPORATION

AUDITOR'S REPORT

THE HONOURABLE JOHN A. FRASER, P.C., M.P.
MINISTER OF FISHERIES AND OCEANS

I have examined the balance sheet of the Canadian Saltfish Corporation as at March 31, 1985 and the statements of income, retained earnings (deficit) and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, and the charter and by-laws of the Corporation, except for the activities involving frozen fish products described in Note 1 to the financial statements. In my opinion, these activities are not within the powers of the Corporation under the Saltfish Act.

E. R. ROWE, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 31, 1985

BALANCE SHEET
AS AT MARCH 31, 1985

ASSETS	1985	1984
	$	$
Current		
Cash		105,883
Accounts receivable	9,861,178	7,038,998
Inventories (Note 3)	3,408,049	8,783,788
Advances to frozen fish producers (Note 1)	129,287	1,215,979
	13,398,514	17,144,648
Long-term receivables	3,598	7,077
Fixed (Note 4)		
Land, buildings and equipment, at cost or appraised value	2,863,623	2,773,507
Less: accumulated depreciation	1,753,433	1,585,303
	1,110,190	1,188,204
	14,512,302	18,339,929

LIABILITIES	1985	1984
	$	$
Current		
Bank overdraft	10,323	
Working capital loans from Canada (Note 5)	11,500,000	13,000,000
Accounts payable and accrued liabilities	5,248,105	3,578,362
Current portion of capital asset loans from Canada	185,000	271,000
	16,943,428	16,849,362
Long-term		
Capital asset loans from Canada, net of current portion (Note 5)	650,000	835,000
Provision for employee termination benefits	231,946	213,010
	881,946	1,048,010
EQUITY (DEFICIENCY) OF CANADA		
Retained earnings (deficit)	(3,313,072)	442,557
	14,512,302	18,339,929

Approved by the Board:

D. D. TANSLEY
Director

A. MALONEY
Director

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1985

	1985 $	1984 $
Sales		
Saltfish products	37,557,697	35,394,893
Traded fish products	1,140,750	1,608,962
Frozen fish products (Note 1)	22,109,033	5,478,748
	60,807,480	42,482,603
Less: freight and insurance	2,438,091	2,359,330
	58,369,389	40,123,273
Cost of goods sold		
Production costs	34,137,380	34,236,566
Transportation, storage and packaging	2,162,872	2,282,839
Other buying costs	1,046,963	1,039,106
Frozen fish products (Note 1)	22,109,033	5,478,748
	59,456,248	43,037,259
Loss before expenses	1,086,859	2,913,986
Expenses		
Selling	630,776	603,978
Administrative	689,966	621,521
Interest —Long-term	100,489	131,835
—Current	1,580,212	909,541
Gain on foreign exchange	(332,673)	(197,972)
	2,668,770	2,068,903
Net loss for the year	3,755,629	4,982,889

STATEMENT OF RETAINED EARNINGS (DEFICIT)
FOR THE YEAR ENDED MARCH 31, 1985

	1985 $	1984 $
Unappropriated		
Balance at beginning of the year	442,557	3,121,446
Net loss for the year	(3,755,629)	(4,982,889)
	(3,313,072)	(1,861,443)
Add: transferred from appropriated		2,304,000
Balance at end of the year	(3,313,072)	442,557
Appropriated		
Balance at beginning of the year		2,304,000
Less: transferred to unappropriated		2,304,000
Balance at end of the year		
	(3,313,072)	442,557

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1985

	1985 $	1984 $
Funds were used in		
Operations		
Reported net loss (adjusted for depreciation and loss on disposal of fixed assets)		4,830,132
Decrease in trade balances		(61,190)
Increase in inventories		490,938
		5,259,880
Purchase of fixed assets	98,930	8,580
Decrease in provision for additional payments to fishermen and producers		825,000
Decrease in working capital loans from Canada	1,500,000	
Decrease in capital asset loans from Canada	271,000	300,000
Total funds used	1,869,930	6,393,460
Funds were provided by		
Operations		
Reported net loss (adjusted for depreciation)	(3,578,685)	
Decrease in trade balances	(65,745)	
Decrease in inventories	5,375,739	
	1,731,309	
Decrease in long-term receivable	3,479	10,479
Increase in working capital loans from Canada		6,000,000
Increase in provision for employee termination benefits	18,936	19,822
Total funds provided	1,753,724	6,030,301
Net funds used	116,206	363,159
Cash at beginning of the year	105,883	469,042
Cash (bank overdraft) at end of the year	(10,323)	105,883

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. Objectives and operations of the Corporation

The Canadian Saltfish Corporation was established by the Saltfish Act in 1970, to improve the earnings of the primary producers of cured codfish. The Corporation is a Crown corporation of Canada named in Schedule C, Part I to the Financial Administration Act and is required to conduct its operations on a self-sustaining financial basis. The Corporation is dependent on the Government of Canada for working capital and capital asset loans. The Corporation is not subject to income taxes.

The Corporation has the exclusive right to trade in and market cured fish and its by-products in the Province of Newfoundland and the Lower North Shore of Quebec and is required to buy all cured fish of an acceptable standard of quality offered for sale therein. Fish is purchased from fishermen, processed through agents of the Corporation and is subsequently marketed by the Corporation.

Traded fish and frozen fish products

The Corporation is involved in the role of marketing frozen fish products on behalf of independent producing companies.

1. The Corporation markets frozen, fresh and salted fish products (traded fish) on a brokerage basis for a commission. These traded sales and related costs of sales are recorded on the statement of income. The traded fresh and frozen fish products included in traded fish product sales amounted to $810,083 for the year.
2. The Corporation also markets frozen fish products under contractual arrangements with a number of companies. Under this agreement the Corporation advances up to 70% of the projected market value to the producer. The balance of the market value received by the producing company is determined by the ultimate selling price and all related expenses. The Corporation does not receive any revenue for this service but does recover the direct costs of providing the service, interest on advances and overhead expenses.

In certain instances, in order to secure the Corporation's position against any possible third party claims against the producer, the Corporation takes title to the product when it leaves the plant. The agreement with the producing company attributes any gain or loss on the ultimate sale of the product to the producer. These frozen fish sales and related costs of sales are therefore offsetting amounts of $22,109,033 (1984—$5,478,748) and are recorded as such on the statement of income. Where title does not pass to the Corporation, sales, amounting to $3,100,796 (1984—$8,442,505) are not recorded in the Corporation's accounts and are in addition to the sales shown on the statement of income.

2. Significant accounting policies

Depreciation

Depreciation is calculated on the straight-line method and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Equipment	3 to 10 years
Furniture and fixtures	5 years

Foreign currency translation

Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the rate of exchange prevailing on the transaction date. The resulting foreign currency translation gains and losses are included in the determination of net income.

Provision for additional contributions to fishermen and producers

The Corporation purchases saltfish at initial prices established by the Board of Directors and obtains processing services at negotiated rates. Additional contributions, if any, to fishermen and producers are determined by the Board based on the results of operations. These contributions are made in respect of products purchased and processed during the year and therefore are charged to the operations of the year in which they are approved for distribution.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required for both the employee and the Corporation. Contributions with respect to current services are expensed in the current period.

Employee termination benefits

Employees are entitled to specific benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

3. Inventories

Inventories are made up of the following categories:

	1985	1984
	$	$
Fish, at lower of cost and net realizable value	1,883,140	6,123,257
Packages and supplies, at cost	223,129	318,079
Salt, at cost	318,976	380,130
	2,425,245	6,821,466
Frozen fish at lower of cost and net realizable value	982,804	1,962,322
	3,408,049	8,783,788

4. Fixed assets

	1985			1984
	Cost or appraised value	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Land	117,274		117,274	117,274
Buildings	940,092	290,698	649,394	675,269
Equipment	1,592,000	1,337,294	254,706	323,384
Furniture and fixtures	214,257	125,441	88,816	72,277
	2,863,623	1,753,433	1,110,190	1,188,204

Depreciation expense for the year ended March 31, 1985 is $176,944 (1984—$199,964).

5. Loans from Canada

Working capital loans are interest bearing and are repayable within one year.

Total loans outstanding from Canada and banks shall not exceed $50 million.

Loans obtained to finance capital expenditures bear interest and are subject to repayment in ten equal instalments. Outstanding capital asset loans are as follows:

Due date	Interest rate	1985	1984
	%	$	$
June 19, 1984	7¾		73,500
September 22, 1985	7¾	22,500	45,000
March 31, 1986	8⅞	12,500	37,500
March 27, 1989	10⅛	40,000	50,000
September 28, 1989	10	400,000	480,000
September 30, 1990	12⅜	360,000	420,000
		835,000	1,106,000
Less: current portion		185,000	271,000
		650,000	835,000

Repayment requirements over the next five fiscal years are $185,000 in 1986, $150,000 in 1987, 1988 and 1989 and $140,000 in 1990.

6. Subsequent event

The U.S. International Trade Commission has imposed a duty of 20.75% on the value of salt codfish being delivered at the U.S. border effective July 1985. It is too early to evaluate the overall effect on the Corporation and its position in the United States Market.

AUDITOR'S REPORT

THE HONOURABLE JOHN A. FRASER, P.C., M.P.
MINISTER OF FISHERIES AND OCEANS

I have examined the balance sheet of the Canadian Saltfish Corporation as at March 31, 1984 and the statements of gross margin, income, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Corporation as at March 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for gains and losses on foreign exchange transactions as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation and the financial statements are in agreement therewith. The transactions that have come under my notice have been within the statutory powers of the Corporation except for the activities involving frozen fish products described in Note 1 to the financial statements. In my opinion, these activities are not within the powers of the Corporation under the Saltfish Act.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
July 6, 1984

BALANCE SHEET
AS AT MARCH 31, 1984

ASSETS	1984	1983
	$	$
Current		
Cash	105,883	469,042
Accounts receivable	7,038,998	8,816,257
Inventories (Note 4)	8,783,788	8,292,850
Advances to frozen fish producers (Note 1)	1,215,979	
	17,144,648	17,578,149
Long-term receivables	7,077	17,556
Fixed (Note 5)		
Land, buildings and equipment, at cost or appraised value	2,773,507	2,764,927
Less: accumulated depreciation	1,585,303	1,432,546
	1,188,204	1,332,381
	18,339,929	18,928,086

LIABILITIES	1984	1983
	$	$
Current		
Working capital loans from Canada (Note 6)	13,000,000	7,000,000
Accounts payable and accrued liabilities	3,578,362	4,078,452
Provision for additional contributions payable to fishermen and producers (Note 3)		825,000
Current portion of capital asset loans from Canada	271,000	312,500
	16,849,362	12,215,952
Long-term		
Capital asset loans from Canada, net of current portion (Note 6)	835,000	1,093,500
Provision for employee termination benefits (Note 3)	213,010	193,188
	1,048,010	1,286,688
EQUITY OF CANADA		
Retained earnings	442,557	5,425,446
	18,339,929	18,928,086

Approved by the Board:

D. D. TANSLEY
Director

WILLIAM WELLS
Director

STATEMENT OF GROSS MARGIN FOR THE YEAR ENDED MARCH 31, 1984

	1984			1983
	Salted and Traded	Frozen	Total	Salted and Traded
	$	$	$	$
Sales				
Saltfish products	35,394,893		35,394,893	47,332,804
Traded fish products	1,608,962		1,608,962	5,304,978
Frozen fish products (Note 1)		5,478,748	5,478,748	
	37,003,855	5,478,748	42,482,603	52,637,782
Less: freight and insurance	2,359,330		2,359,330	3,502,605
	34,644,525	5,478,748	40,123,273	49,135,177
Cost of goods sold				
Production costs	34,236,566		34,236,566	43,982,598
Transportation, storage and packaging	2,282,839		2,282,839	1,877,954
Other buying costs	1,039,106		1,039,106	842,272
Frozen fish products (Note 1)		5,478,748	5,478,748	
	37,558,511	5,478,748	43,037,259	46,702,824
Gross (Loss) margin	(2,913,986)		(2,913,986)	2,432,353

STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31, 1984

	1984	1983
	$	$
Gross (loss) margin	(2,913,986)	2,432,353
Expenses		
Selling	603,978	834,484
Administrative	621,521	560,743
Interest —Long-term	131,835	160,389
—Current	909,541	80,232
Gain on foreign exchange	(197,972)	(62,261)
	2,068,903	1,573,587
(Loss) Income before additional contributions to fishermen and producers	(4,982,889)	858,766
Additional contributions to fishermen and producers (Note 3)		825,000
Net (loss) income for the year	(4,982,889)	33,766

STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 1984

	1984	1983
	$	$
Unappropriated		
Balance at beginning of the year	3,121,446	3,087,680
Net (loss) income for the year	(4,982,889)	33,766
	(1,861,443)	3,121,446
Add: transferred from appropriated	2,304,000	
Balance at end of the year	442,557	3,121,446
Appropriated (Note 7)		
Balance at beginning of the year	2,304,000	2,304,000
Less: transferred to unappropriated	2,304,000	
Balance at end of year		2,304,000
	442,557	5,425,446

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1984

	1984	1983
	$	$
Working capital provided		
Operations		
Net (loss) income for the year	(4,982,889)	33,766
Items not requiring an outlay of funds		
Depreciation	199,964	227,575
Increase in provision for employee termination benefits	19,822	32,426
	(4,763,103)	293,767
Decrease in long-term receivables	10,479	17,185
	(4,752,624)	310,952
Working capital applied		
Net additions to fixed assets	55,787	64,822
Capital asset loans from Canada becoming current	258,500	312,500
	314,287	377,322
Decrease in working capital	5,066,911	66,370
Working capital at beginning of the year	5,362,197	5,428,567
Working capital at end of the year	295,286	5,362,197

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1984

1. Objectives and operations of the Corporation

The Canadian Saltfish Corporation was established by the Saltfish Act in 1970, to improve the earnings of the primary producers of cured codfish. The Corporation is an agency Crown corporation of Canada named in Schedule C to the Financial Administration Act and is required to conduct its operations on a self-sustaining financial basis. The Corporation is dependent on the Government of Canada for working capital and capital asset loans. The Corporation is not subject to income taxes.

The Corporation has the exclusive right to trade in and market cured fish and its by-products in the Province of Newfoundland and the Lower North Shore of Quebec and is required to buy all cured fish of an acceptable standard of quality offered for sale therein. Fish is purchased from fishermen, processed through agents of the Corporation and is subsequently marketed by the Corporation.

Traded fish and frozen fish products

The Corporation is involved in the role of marketing frozen fish products on behalf of independent producing companies.

1. The Corporation markets frozen, fresh and salted fish products (traded fish) on a brokerage basis for a commission. These traded sales and related costs of sales are recorded on the statement of gross margin. The traded fresh and frozen fish products included in traded fish product sales amounted to $907,229 for the year.
2. The Corporation also markets frozen fish products under contractual arrangements with a number of companies. Under this agreement the Corporation advances up to 70% of the projected market value to the producer. The balance of the market value received by the producing company is determined by the ultimate selling price and all related expenses. The Corporation does not receive any revenue for this service but does recover the direct costs of providing the service, interest on advances and overhead expenses.

   In certain instances, in order to secure the Corporation's position against any possible third party claims against the producer, the Corporation takes title to the product when it leaves the plant. The agreement with the producing company attributes any gain or loss on the ultimate sale of the product to the producer. These frozen fish sales and related costs of sales are therefore offsetting amounts of $5,478,748 and are recorded as such on the statement of gross margin. Where title does not pass to the Corporation, sales, amounting to $8,442,505 are not recorded in the Corporation's accounts and are in addition to the sales shown on the statement of gross margin.

2. Foreign exchange policy

Effective April 1, 1983 the Corporation adopted the accounting policy of including all material gains and losses resulting from the translation of monetary assets and liabilities in income for the period. Formerly, unrealized gains at year-end were not recorded. This method has been adopted to more appropriately reflect the results of foreign exchange transactions. As the effect of this change on the reported earnings of prior years is not material it has not been applied retroactively.

3. Significant accounting policies

Depreciation

Depreciation is calculated on the straight-line method and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Equipment	3 to 10 years
Furniture and fixtures	5 years

Foreign currency translation

Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the rate of exchange prevailing on the transaction date. The resulting foreign currency translation gains and losses are included in the determination of net income.

Provision for additional contributions to fishermen and producers

The Corporation purchases saltfish at initial prices established by the Board of Directors and obtains processing services at negotiated rates. Additional contributions, if any, to fishermen and producers are determined by the Board based on the results of operations. These contributions are made in respect of products purchased and processed during the year and therefore are charged to the operations of the year in which they are approved for distribution.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required for both the employee and the Corporation. Contributions with respect to current services are expensed in the current period.

Employee termination benefits

Employees are entitled to specific benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

4. Inventories

Inventories are made up of the following categories:

	1984	1983
	$	$
Fish, at lower of cost and net realizable value	6,123,257	7,560,960
Packages and supplies, at cost	318,079	208,483
Salt, at cost	380,130	523,407
	6,821,466	8,292,850
Frozen fish at lower of cost and net realizable value	1,962,322	
	8,783,788	8,292,850

5. Fixed assets

			1984	1983
	Cost or appraised value	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Land	117,274		117,274	117,574
Buildings	904,540	229,271	675,269	714,896
Equipment	1,587,260	1,263,876	323,384	420,320
Furniture and fixtures	164,433	92,156	72,277	79,591
	2,773,507	1,585,303	1,188,204	1,332,381

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1984—*Concluded*

Depreciation expense for the year ended March 31, 1984 is $199,964 (1983 — $227,575).

6. Loans from Canada

Working Capital Loans are interest bearing and are repayable within one year.

Total loans outstanding from Canada and banks shall not exceed $30 million.

Loans obtained to finance capital expenditures bear interest and are subject to repayment in ten equal instalments. Outstanding capital asset loans are as follows:

Due date	Interest rate %	1984	1983
		$	$
March 25, 1984	7⅜		54,000
June 19, 1984	7¾	73,500	147,000
September 22, 1985	7¾	45,000	67,500
March 31, 1986	8⅞	37,500	37,500
March 27, 1989	10⅛	50,000	60,000
September 28, 1989	10	480,000	560,000
September 30, 1990	12⅜	420,000	480,000
		1,106,000	1,406,000
Less: current portion		271,000	312,500
		835,000	1,093,500

Repayment requirements over the next five fiscal years are $271,000 in 1985, $185,000 in 1986, $150,000 in 1987, 1988 and 1989.

7. Appropriated retained earnings

The Board of Directors established that the following amounts be appropriated from retained earnings:

	March 31, 1984	March 31, 1983
	$	$
Reinvestment in fixed assets		1,004,000
General contingencies		1,000,000
Processing and quality improvements		200,000
Research and development		100,000
		2,304,000

SUMMARY PAGE

CANADIAN SPORTS POOL CORPORATION

MANDATE

To provide for, operate and manage a government-operated pool system on combinations of athletic contests and events.

BACKGROUND

Incorporated in 1983, the corporation terminated its operations in 1984 and was dissolved in June 1985.

CORPORATION DATA

HEAD OFFICE	255 Albert Street P.O. Box 9705 Station T Ottawa, Ontario K1G 3Z4
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Jake Epp, P.C., M.P.
DEPARTMENT	National Health and Welfare
DATE AND MEANS OF INCORPORATION	*Athletic Contests and Events Pools Act,* 83/06/29 (S.C. 1980-81-82-83, C.161).
AUDITOR	Mallette, Benoit, Boulanger, Rondeau & Associés

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**
At the end of the period		
Total Assets	8.2	11.3
Obligations to the private sector	3.5	11.3
Obligations to Canada	nil	nil
Equity of Canada	4.7	nil
Cash from Canada in the period		
— budgetary	36.5*	10.5
— non-budgetary	nil	nil

* Includes loans made but forgiven in the period.

CANADIAN SPORTS POOL CORPORATION

AUDITORS' REPORT

TO THE MINISTER OF NATIONAL HEALTH AND WELFARE

We have examined the balance sheet of the Canadian Sports Pool Corporation as at June 20, 1985 and the statement of earnings and equity of Canada for the 81 day period then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Canadian Sports Pool Corporation as at June 20, 1985 and the results of its operations for the 81 day period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Also, in our opinion, proper books of account have been kept and the transactions that have come to our notice have been within the powers of the corporation.

Our report in respect to the financial statements for the year ended March 31, 1985 contained the following qualification: due to the structure and nature of the operations of the corporation, revenues from the sale of pool system tickets were not subject to audit as to completeness. Consequently, our examination of these revenues was limited to the amounts accounted for in the books of the corporation and we were unable to determine whether adjustments to revenues, accounts receivable and equity of Canada might be necessary.

MALLETTE, BENOIT, BOULANGER,
RONDEAU & ASSOCIÉS
Chartered Accountants

Montreal, Canada
July 12, 1985

BALANCE SHEET

ASSETS	June 20, 1985	March 31, 1985
	$	$
Current assets		
Cash	669,454	460,423
Cash—Prize account	170,475	370,375
Term deposit	4,000,000	7,000,000
Accounts receivable	89,568	29,313
	4,929,497	7,860,111
Fixed assets (Notes 6 and 9b)	1	345,647
	4,929,498	8,205,758

LIABILITIES	June 20, 1985	March 31, 1985
	$	$
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	140,906	3,148,709
Provision for winning prizes (Note 8)	170,475	370,375
	311,381	3,519,084
Equity of Canada	4,618,117	4,686,674
	4,929,498	8,205,758

Contingencies, contractual obligation and important event (Notes 9, 10 and 11)

On behalf of the Board:

H. MULLINGTON
Director

EARNINGS AND EQUITY OF CANADA

	Year ended June 20, 1985 (81 days)	Year ended March 31, 1985 (12 months)
	$	$
Sales—Pool system tickets		7,747,068
Cost of sales (Schedule A)		15,481,455
Gross loss		(7,734,387)
Administrative expenses (Schedule B)	129,943	28,499,712
Loss from operations	(129,943)	(36,234,099)
Other income		
Revenue from the Government of Canada (Note 4)		47,000,000
Interest	103,085	863,221
Unclaimed prizes (Note 8)	196,661	
	299,746	47,863,221
Excess of revenues over expenses before unusual items	169,803	11,629,122
Unusual items		
Write-off of fixed assets (Note 9b)	238,360	
Penalties and termination costs (Note 5)		6,942,448
	238,360	6,942,448
Excess of revenues (expenses) over expenses (revenues)	(68,557)	4,686,674
Equity of Canada, beginning of period	4,686,674	
Equity of Canada, end of period	4,618,117	4,686,674

NOTES TO FINANCIAL STATEMENTS
JUNE 20, 1985

1. Statutes of incorporation

The Canadian Sports Pool Corporation is a Crown corporation wholly-owned by the Government of Canada; it was incorporated on June 29, 1983 by the Athletic Contests and Events Pools Act.

2. Accounting policies

(a) Revenue and expenses

Gross revenue from the sale of the pool system tickets are recorded on the date of the draw on a cash basis. Expenses and other revenues are accounted for on an accrual basis.

(b) Fixed assets and depreciation

Fixed assets are accounted for at cost.

Depreciation of fixed assets is recorded using the straight-line method at the following rates:

Office furniture and equipment	20%
Data processing equipment	30%
Leasehold improvements	100%

No depreciation was accounted for during the 81 day period ended June 20, 1985.

3. Statement of changes in financial position

The statement of changes in financial position was not prepared since it does not significantly improve the information contained in these financial statements.

4. Revenue from the Government of Canada

	June 20, 1985	March 31, 1985
	$	$
Revenue provided by the Consolidated Revenue Fund		10,500,000
Amounts received from the Department of National Health and Welfare		
Forgiveness of loans		20,000,000
Payment relative to the closure of the corporation		16,500,000
		47,000,000

5. Penalties and termination costs

	June 20, 1985	March 31, 1985
	$	$
Printing of tickets		2,900,000
Salaries and severance pay		1,981,086
Distribution of tickets		1,708,000
Sundry		286,357
Rent		67,005
		6,942,448

6. Fixed assets

	June 20, 1985 Net value	March 31, 1985 Net value
	$	$
Office furniture and equipment	1	237,539
Data processing equipment		108,108
Leasehold improvements		
	1	345,647

7. Accounts payable and accrued liabilities

	June 20, 1985	March 31, 1985
	$	$
Trade	140,906	149,399
Withholding taxes		50,167
Penalties		1,852,842
Interest on loans		1,096,301
Other accrued liabilities		
	140,906	3,148,709

8. Provision for winning prizes

This liability represents a provision for unclaimed winning prizes. Under the Athletic Contests and Events Pool Act, no prizes are payable after one year following the date of the draw. Any unclaimed prizes after one year following the draw will be accounted for as revenue in the period they become no longer payable.

9. Contingencies

(a) A permanent injunction has been requested by the National League of Professional Baseball Clubs for alleged damage of goodwill and reputation and alleged trademark and copyright infringement.

The corporation believes that this case will never be heard by the Courts due to the decision by the Government of Canada to end the operations of the corporation.

(b) All the remaining fixed assets were transfered to the Crown Assets Disposal Corporation for disposal. Since the eventual proceeds on disposition cannot be reasonably estimated, the remaining fixed assets were written down to $1.

NOTES TO FINANCIAL STATEMENTS
JUNE 20, 1985—*Concluded*

10. Contractual obligation

The company has undertaken to rent certain premises under the terms of leases having terms of three years beginning April 1, 1984. Under the terms of these leases, the total minimum commitment excluding property taxes and other escalator clauses is $1,179,226. The balance of the commitment is $705,228 as at June 20, 1985 and future minimum payments payable over the next two years are as follows:

	$
1985-86	393,076
1986-87	312,152

11. Important event

On June 20, 1985, Bill C-2, the Sports Pool and Loto Canada Winding Up Act, received Royal Assent. Since then, all rights and property held by or in the name of or in trust for the corporation and all obligations and liabilities of the corporation are deemed to be rights, property, obligations and liabilities of her Majesty.

SCHEDULES A AND B—OTHER INFORMATION

A. Cost of sales

	Year ended June 20, 1985 (81 days)	Year ended March 31, 1985 (12 months)
	$	$
Winning prizes		7,019,149
Printing and distribution of tickets		6,947,842
Retailers' discounts		1,514,464
		15,481,455

B. Administrative expenses

	$	$
Salaries and fringe benefits		9,006,253
Advertising and sales promotion		8,431,295
Data processing		2,249,988
Write-off of preliminary expenses		2,134,731
Professional fees	10,263	2,113,472
Interest on loans		1,096,301
Travelling	1,879	1,048,142
Rent and incidental costs	104,617	883,124
Stationery, office supplies and rental of equipment	8,387	639,512
Telephone and postage	486	496,909
Depreciation of fixed assets		264,575
Insurance and taxes	506	100,549
Interest and bank charges	3,805	34,861
	129,943	28,499,712

AUDITORS' REPORT

TO THE MINISTER OF NATIONAL HEALTH AND WELFARE

We have examined the balance sheet of the Canadian Sports Pool Corporation as at March 31, 1985 and the statement of earnings and net value for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as explained in the following paragraph.

Due to the structure and nature of the operations of the corporation, revenues from the sale of pool system tickets are not subject to audit as to completeness. Consequently, our examination of these revenues was limited to the amounts accounted for in the books of the corporation and we were unable to determine whether adjustments to revenues, accounts receivable and net value might be necessary.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to audit the sales of pool system tickets as to completeness as mentioned in the preceding paragraph, these financial statements present fairly the financial position of the Canadian Sports Pool Corporation as at March 31, 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Also, in our opinion, proper books of account have been kept and the transactions that have come to our notice have been within the powers of the corporation.

MALLETTE, BENOIT, BOULANGER,
RONDEAU & ASSOCIÉS
Chartered Accountants

Montreal, Canada
April 10, 1985

BALANCE SHEET MARCH 31

ASSETS	1985	1984	LIABILITIES	1985	1984
	$	$		$	$
Current assets			Current liabilities		
Cash	460,423	9,101,777	Accounts payable and accrued liabilities (Note 8)	3,148,709	701,218
Cash—Prize account	370,375		Deferred revenues		10,500,000
Term deposit	7,000,000		Deferred interest income		134,325
Accounts receivable	29,313		Provision for winning prizes (Note 9)	370,375	
Prepaid expenses		36,462		3,519,084	11,335,543
Preliminary expenses (Note 4)		2,134,731	Net value	4,686,674	
	7,860,111	11,272,970			
Fixed assets (Notes 7 and 10b)	345,647	62,573			
	8,205,758	11,335,543		8,205,758	11,335,543

Contingencies and important event (Notes 10 and 11)

On behalf of the Board:

H. MULLINGTON
Director

EARNINGS AND NET VALUE
YEAR ENDED MARCH 31, 1985

	1985
	$
Sales—Pool system tickets	7,747,068
Cost of sales	
Winning prizes	7,019,149
Printing and distribution of tickets	6,947,842
Retailers' discounts	1,514,464
	15,481,455
Gross loss	(7,734,387)
Administrative expenses	
Salaries and fringe benefits	9,006,253
Advertising and sales promotion	8,431,295
Data processing	2,249,988
Write-off of preliminary expenses (Note 4)	2,134,731
Professional fees	2,113,472
Interest on loans	1,096,301
Travelling	1,048,142
Rent and incidental costs	883,124
Stationery, office supplies and rental of equipment	639,512
Telephone and postage	496,909
Depreciation of fixed assets	264,575
Insurance and taxes	100,549
Interest and bank charges	34,861
	28,499,712
Loss from operations	(36,234,099)
Other income	
Revenue from the Government of Canada (Note 5)	47,000,000
Interest	863,221
	47,863,221
Excess of revenues over expenses before unusual item	11,629,122
Unusual item	
Penalties and termination costs (Note 6)	6,942,448
Excess of revenues over expenses and net value	4,686,674

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. Statutes of incorporation

The Canadian Sports Pool Corporation is a Crown corporation wholly-owned by the Government of Canada; it was incorporated on June 29, 1983 by the Athletic Contests and Events Pools Act.

2. Accounting policies

(a) Revenue and expenses

Gross revenue from sales of the pool system tickets are recorded on the date of the draw on a cash basis. Expenses and other revenues are accounted for on an accrual basis.

(b) Fixed assets and depreciation

Fixed assets are accounted for at cost.

Depreciation of fixed assets is recorded using the straight-line method at the following rates:

Office furniture and equipment	20%
Data processing equipment	30%
Leasehold improvements	100%

3. Statement of changes in financial position

The statement of changes in financial position was not prepared since it does not significantly improve the information contained in these financial statements.

4. Preliminary expenses

	1985	1984
	$	$
Professional fees		847,365
Salaries and fringe benefits		670,720
Advertising and sales promotion		357,389
Sundry		112,355
Stationery office supplies and rental of equipment		98,319
Rent and incidental costs		48,583
		2,134,731

5. Revenue from the government of Canada

	1985	1984
	$	$
Revenue provided by the Consolidated Revenue Fund	10,500,000	
Amounts received from the Department of National Health and Welfare		
Forgiveness of loans	20,000,000	
Payment relative to the closure of the corporation	16,500,000	
	47,000,000	

6. Penalties and termination costs

	1985	1984
	$	$
Printing of tickets	2,900,000	
Salaries and severance pay	1,981,086	
Distribution of tickets	1,708,000	
Sundry	286,357	
Rent	67,005	
	6,942,448	

7. Fixed assets

	1985			1984
	Cost	Accumulated depreciation	Net value	Net value
	$	$	$	$
Office furniture and equipment	296,924	59,385	237,539	35,927
Data processing equipment	154,440	46,332	108,108	21,878
Leasehold improvements	108,378	108,378		4,768
	559,742	214,095	345,647	62,573

8. Accounts payable and accrued liabilities

	1985	1984
	$	$
Trade	149,399	463,273
Withholding taxes	50,167	
Penalties	1,852,842	
Interest on loans	1,096,301	
Other accrued liabilities		237,945
	3,148,709	701,218

9. Provision for winning prizes

This liability represents a provision for unclaimed winning prizes as at March 31, 1985. Under the Athletic Contests and Events Pool Act, no prizes are payable after one year following the date of the draw. Any unclaimed prizes after one year follow-

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

ing the draw will be accounted for as revenue in the period they become no longer payable.

10. Contingencies

(a) A permanent injunction has been requested by "La Société des Loteries et Courses du Québec" (Loto Québec) and the National League of Professional Baseball Club for alleged damage of reputation and goodwill as well as alleged trade-mark and copyright infringement.

Furthermore, a lawsuit has been brought against the Government of Canada by the Attorney General of each Province alleging that the operations of the corporation contravene the terms of a Federal-Provincial agreement signed in 1979.

The corporation believes that these cases will never be heard by the Courts due to the decision by the Government of Canada to end the operations of the corporation.

(b) No accrual for possible losses on disposal of fixed assets have been accounted for since the eventual proceeds on disposition cannot be reasonably estimated. Losses on disposal of fixed assets will be accounted for in the period in which fixed assets will be disposed of.

11. Important event

Should Bill C-2, the Sports Pool and Loto Canada Winding Up Act, receive Royal Assent, all rights and property held by or in the name of or in trust for the corporation and all obligations and liabilities of the corporation will be deemed to be rights, property, obligations and liabilities of her Majesty.

SUMMARY PAGE

CANAGREX

MANDATE:

To promote, facilitate, and, when specifically requested, to engage in, the export of agricultural and food products from Canada.

BACKGROUND:

Incorporated in 1983, Canagrex began operations in 1984. The corporation is to be dissolved and its operations transferred to other government departments and agencies. Authority to do this is being sought through Bill C-42 which received first reading in the House of Commons on April 18, 1985.

CORPORATION DATA

HEAD OFFICE	234 Laurier Avenue, West Ottawa, Ontario. K1P 5W6
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable John Wise, P.C., M.P.
DEPARTMENT	Agriculture
DATE AND MEANS OF INCORPORATION	The *Canagrex Act* (S.C. 1980-81-82-83 C.152).
CHIEF EXECUTIVE OFFICER	A. Edwin Story
CHAIRMAN	Glenn Flatten
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**
At the end of the period		
Total Assets	2.3	0.3
Obligations to the private sector	nil	nil
Obligations to Canada	nil	nil
Equity of Canada	1.8	0.2
Cash from Canada in the period		
— budgetary	5.4	0.7
— non-budgetary	nil	nil

CANAGREX

AUDITOR'S REPORT

THE HONOURABLE JOHN WISE, P.C., M.P.
MINISTER OF AGRICULTURE

I have examined the balance sheet of Canagrex as at March 31, 1985 and the statements of operations and surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of Canagrex as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canagrex Act and the by-laws of the Corporation.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 7, 1985

BALANCE SHEET AS AT MARCH 31, 1985

ASSETS	1985	1984
	$	$
Current		
Cash	2,189,682	282,514
Accounts receivable	17,221	
Prepaid expenses		5,282
	2,206,903	287,796
Fixed assets, net (Note 3)		
Office furniture and equipment	75,000	46,005
Leasehold improvements	1	
	2,281,904	333,801

LIABILITIES	1985	1984
	$	$
Current		
Accounts payable and accrued liabilities	435,626	144,635
EQUITY OF CANADA		
Surplus	1,846,278	189,166
	2,281,904	333,801

Approved by the Board:

GLENN FLATEN
Chairman of the Board

A. E. STORY
President and Chief Executive Officer

STATEMENT OF OPERATIONS AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 1985

	Year ended March 31, 1985	Three months ended March 31, 1984
	$	$
Revenue		
Interest income	140,637	14,219
Guarantee fees	88,903	
	229,540	14,219
Expenses (Note 6)		
Salaries and employee benefits	1,590,564	146,468
Employee termination payments	715,582	
Office and equipment rentals	420,519	43,981
Employee relocation	206,937	22,829
Travel and entertainment	182,664	18,954
Advertising and promotion	153,847	46,139
Telephone, telex and courier	122,916	14,079
Depreciation and amortization	96,124	11,502
Stationery, supplies and library	66,763	31,159
Directors' fees and expenses	50,569	19,376
Professional fees	27,892	169,481
Contributions and grants—Net of amounts recovered	18,377	
Miscellaneous	18,472	1,085
	3,671,226	525,053
Cost of operations	3,441,686	510,834
Parliamentary appropriation	5,400,000	700,000
Excess of parliamentary appropriation over cost of operations	1,958,314	189,166
Provision to write down fixed assets and leasehold improvements to estimated realizable value (Note 3)	301,202	
	1,657,112	189,166
Surplus, beginning of year	189,166	
Surplus, end of year	1,846,278	189,166

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1985

	Year ended March 31, 1985	Three months ended March 31, 1984
	$	$
Funds provided		
Operations		
Excess of parliamentary appropriation over cost of operations	1,958,314	189,166
Item not involving funds		
Depreciation and amortization, net	96,124	11,502
	2,054,438	200,668
Funds applied		
Purchase of fixed assets and leasehold improvements, net	426,322	57,507
Increase in working capital	1,628,116	143,161
Working capital, beginning of year	143,161	
Working capital, end of year	1,771,277	143,161
Working capital represented by		
Current assets	2,206,903	287,796
Current liabilities	435,626	144,635
	1,771,277	143,161

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. The Corporation

The Corporation was established in June 1983 under the CANAGREX Act and commenced operations in January 1984. It is a Crown corporation named in Part I of Schedule C to the Financial Administration Act.

The purpose of CANAGREX was to assist Canadian producers and processors to increase their exports of food and agricultural products. The Corporation worked with the private and public sectors to promote, facilitate and engage in the export of agricultural products and services and food products and services.

During the year the Corporation was involved in organization and evaluation of proposals. It also guaranteed a line of credit for $15 million to Cuba for the purchase of agricultural products.

It was announced by the Minister of Finance, on November 8, 1984, that the Canagrex programme was to be discontinued. Since then the Corporation has been engaged in the orderly winding-up of its affairs. Bill C-42, "An Act to dissolve Canagrex and to amend certain Acts in consequence thereof" is presently before Parliament. If proclaimed, the Bill will result in the orderly liquidation of the Corporation.

2. Significant accounting policies

Fixed assets

Fixed assets are recorded at cost less accumulated depreciation. Leasehold improvements are amortized using the straight-line method over the period of the lease with no allowance being made for any optional lease extension. Furniture and fixtures are depreciated using the diminishing balance method at an annual rate of 20%. Depreciation is provided for a full year on assets acquired in the year.

In view of the anticipated discontinuation of the Corporation, fixed assets and leasehold improvements have been written down to their estimated realizable value as at March 31, 1985 (see Note 3).

Pension plan

The Corporation's employees participate in the Public Service Superannuation Plan. Contributions to the Plan are made equally by both employees and the Corporation, and these contributions in respect of current service are expensed during the year in which the services are rendered.

3. Fixed assets

	1985	1984
	$	$
Office furniture and equipment		
Cost	172,637	57,507
Less: accumulated depreciation	44,430	11,502
	128,207	46,005
Less: provision to reduce to net realizable value	53,207	
	75,000	46,005
Leasehold improvements		
Cost	309,995	
Less: amortization	61,999	
	247,996	
Less: provision to reduce to estimated realizable value	247,995	
Estimated realizable value	1	

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

4. Commitments

   (a) Leased office space

   On May 9, 1984, the Corporation signed a letter of intent to enter into a lease of office space for a period of five years requiring annual minimum payments of $295,000.

   (b) Other leases

   The Corporation, in the normal course of business, entered into leases of varying terms for office equipment. Due to the anticipated winding-up of the Corporation, Canagrex is required under these leases to pay cancellation costs of approximately $100,000.
   No provision has been made for these commitments in the accompanying financial statements as it is anticipated that these leases can be assigned.

5. Contingent liabilities

   (a) Guarantees outstanding under the Cuban line of credit amounted to $8,311,728 as at March 31, 1985. These guarantees are to be assumed by the Department of Agriculture when the Corporation is dissolved pursuant to Bill C-42.

   (b) Due to the anticipated winding-up, the Corporation gave notice of termination of employment, effective March 29, 1985, to its employees. Varying termination settlements have been made with some of the employees. As of this date, four employees have not agreed to settlements, two of these employees have indicated their intention to take legal action. Provision has been made for the anticipated costs of employee termination benefits.

6. Comparative figures

   Expenses for 1984 have been reclassified to conform to the 1985 presentation.

SUMMARY PAGE

CAPE BRETON DEVELOPMENT CORPORATION

MANDATE

To promote and assist the financing and development of industry, to provide employment on Cape Breton Island, and to operate the Cape Breton coal mines.

BACKGROUND

Originally established in 1967 to close down the Island coal mining industry with minimum dislocation, this corporation is the major employer in the Sydney/Glace Bay area of Cape Breton. The mandate of the corporation's Coal Division has become more commercially oriented and the division now has approximately 3,470 employees. It has opened two new coal mines, Prince and Lingan-Harbour, and is presently developing a third, the Phalen mine. Virtually all of its current coal production is sold to the Nova Scotia Power Corporation; however, when its Phalen mine comes on stream in 1987, the corporation will require new markets. In this context, it is currently reviewing its operational and marketing strategies, including accelerated development of new coal technologies, to secure a viable coal industry for Cape Breton.

The corporation's Industrial Development Division employs about 150 people in its enterprises and is empowered under the *Cape Breton Development Corporation Act* to provide loans and investments for tourist accommodations, agricultural development and manufacturing enterprises. The Division issued a new five-year plan in 1985 focusing upon viable local enterprises and it is also working closely with the government in examining a number of options to further stimulate the Cape Breton economy.

CORPORATION DATA

HEAD OFFICE	500 Kings Road P.O. Box 1330 Sydney, Nova Scotia B1P 6K3
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Sinclair Stevens, P.C., Q.C., M.P.
DEPARTMENT	Regional Industrial Expansion
MEANS OF INCORPORATION	*Cape Breton Development Corporation Act* (R.S.C. 1970, C. C-13).
CHIEF EXECUTIVE OFFICER	Derek Rance
CHAIRMAN	Vacant
AUDITOR	Touche, Ross and Co.

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	1983-84	1982-83	1981-82
At the end of the period				
Total Assets	397	359	324	302
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	13	11	nil	nil
Equity of Canada	335	306	290	272
Cash from Canada in the period				
— budgetary	108	110	96	133
— non-budgetary	2	11	nil	nil

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1985
WERE NOT AVAILABLE AT DATE OF PRINTING

SUMMARY PAGE

DEFENCE CONSTRUCTION (1951) LIMITED

MANDATE

To contract for and supervise major military construction and maintenance projects required by the Department of National Defence; to provide technical and administrative assistance concerning construction matters to government departments and agencies on a cost-recovery basis.

BACKGROUND

The corporation has been in operation since 1951.

CORPORATION DATA

HEAD OFFICE	S.B.I. Building Billings Bridge Plaza 2323 Riverside Drive Ottawa, Ontario K1A 0K3
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Erik Nielsen, P.C., Q.C., M.P.
DEPARTMENT	National Defence
MEANS OF INCORPORATION	Pursuant to the *Defence Production Act* (R.S.C. 1970, C. D-2); Continued under the *Canada Corporations Act*, 78/11/21.
CHIEF EXECUTIVE OFFICER	J.R. Lorne Atchison
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**	**1982-83**	**1981-82**
At the end of the period				
Total Assets	1.2	1.0	1.2	0.9
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	0.4	0.2
Equity of Canada	(3.1)	(3.2)	(3.0)	(3.0)
Cash from Canada in the period				
— budgetary	14.5	12.9	11.4	10.2
— non-budgetary	nil	nil	nil	nil

DEFENCE CONSTRUCTION (1951) LIMITED

AUDITOR'S REPORT

THE HONOURABLE ERIK NIELSEN, P.C., M.P.
MINISTER OF NATIONAL DEFENCE

I have examined the balance sheet of Defence Construction (1951) Limited as at March 31, 1985 and the statements of operations and deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Defence Production Act and the by-laws of the Corporation.

E. R. ROWE, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 24, 1985

BALANCE SHEET AS AT MARCH 31, 1985

ASSETS	1985	1984
	$	$
Current		
Cash	315,427	754,876
Accounts receivable from government departments and agencies	51,655	66,903
Due from Canada	465,568	12,651
Other	23,801	21,675
	856,451	856,105
Fixed, at cost		
Furniture and equipment	815,647	640,306
Less: accumulated depreciation	499,604	459,897
	316,043	180,409
	1,172,494	1,036,514

LIABILITIES	1985	1984
	$	$
Current		
Accounts payable and accrued liabilities	1,174,826	1,316,587
Contractors' security deposits (Note 3)	233,250	117,950
	1,408,076	1,434,537
Provision for employee benefits (Note 4)	2,911,710	2,844,162
	4,319,786	4,278,699
CAPITAL STOCK AND DEFICIT		
Capital stock		
Authorized—1,000 shares of no par value		
Issued—31 shares fully paid	31	31
Deficit (Note 5)	(3,147,323)	(3,242,216)
	(3,147,292)	(3,242,185)
	1,172,494	1,036,514

Approved by the Board:

J. R. L. ATCHISON
Director

L. E. DAVIES
Director

STATEMENT OF OPERATIONS AND DEFICIT FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Expenses		
Salaries	10,156,676	10,196,573
Employee benefits	1,150,067	1,083,033
Travel and removal	757,396	763,541
Office accommodation	480,726	343,418
Telephone	308,064	304,633
Office supplies and maintenance	185,930	201,036
Advertising	166,972	239,508
Postage, express and freight	159,264	175,692
Depreciation	111,492	80,101
Professional services	104,106	106,323
Rental of machinery	102,614	66,397
Training and professional development	46,588	19,644
Loss on disposal of fixed assets	26,202	
Other	20,037	7,927
	13,776,134	13,587,826
Recoveries of expenses (Note 6)	255,459	400,209
Cost of operations	13,520,675	13,187,617
Parliamentary appropriations (Note 2)	13,615,568	12,897,652
Excess of cost of operations over parliamentary appropriations (parliamentary appropriations over cost of operations)	(94,893)	289,965
Deficit at beginning of the year	3,242,216	2,952,251
Deficit at end of the year	3,147,323	3,242,216

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Funds were provided by (or used in)		
Financing	13,615,568	12,897,652
Operations	(13,781,689)	(13,078,394)
Investment	(273,328)	(67,060)
Net decrease in funds	439,449	247,802
Funds at beginning of the year	754,876	1,002,678
Funds (cash) at end of the year	315,427	754,876
Financing source of funds		
Parliamentary appropriations	13,615,568	12,897,652
Operations		
Reported cost of operations	13,520,675	13,187,617
Items not requiring cash		
Provision for employee benefits	(382,445)	(421,108)
Depreciation	(111,492)	(80,101)
Loss on sale of fixed assets	(26,202)	
	13,000,536	12,686,408
Increase in working capital	466,256	208,752
Employee benefits paid	314,897	183,234
Funds used in operations	13,781,689	13,078,394
Investment		
Expenditures for equipment	288,307	67,060
Disposal of equipment	(14,979)	
Net funds invested	273,328	67,060

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1985

1. Authority, objectives and operations

The Corporation was incorporated under the Canada Corporations Act in 1951 and is continued under the Canada Business Corporations Act, pursuant to the authority of the Defence Production Act, to contract for major military construction and maintenance projects required by the Department of National Defence. The Corporation is a Crown corporation named in Part I of Schedule C to the Financial Administration Act. The Corporation is not subject to income taxes.

The Corporation's principal functions in the field of construction management are to obtain tenders, make recommendations regarding proposed awards and to award and administer contracts. As an integral part of its responsibility for contract administration, the Corporation inspects the work to ensure completion in accordance with the contract and certifies contractors' progress claims for payment from funds of the Department of National Defence. It also engages architectural and engineering firms to prepare plans and specifications in accordance with the requirements of the Department of National Defence. It may provide technical and administrative assistance on construction matters to other government departments when required.

2. Significant accounting policies

Expenses

The accounts of the Corporation reflect only the administrative expenses incurred in procuring the construction and maintenance of defence projects on behalf of the Department of National Defence and in procuring the construction of such other projects as are approved by Treasury Board.

Depreciation

Depreciation is provided by the straight-line method over five years.

Employee benefits

Employee benefits are expensed when earned by employees.

Pensions

During the year, the Corporation made payments of $553,815 ($530,674 in 1984) in respect of current contributions to the Public Service Superannuation Account of the Government of Canada. The Account is actuarially valued every five years. The Corporation's contributions and recorded liabilities are limited to the matching of the current and certain arrears contributions of employees. The Corporation is not required to make contributions with respect to actuarial deficiencies of the Account.

Parliamentary appropriations

The cost of operations is funded by parliamentary appropriations through the Department of National Defence Vote 15 to the extent of net annual cash requirements.

3. Contractors' security deposits

	1985	1984
	$	$
Bid deposits	191,700	41,550
Deposits on plans and specifications	41,550	76,400
	233,250	117,950

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

4. Provision for employee benefits

	1985	1984
	$	$
Termination benefits	2,638,627	2,588,800
Life insurance	91,553	97,303
Furlough benefits	181,530	158,059
	2,911,710	2,844,162

5. Deficit

The deficit of the Corporation is comprised primarily of the liabilities for employee benefits which will require funding from parliamentary appropriations in future years as they are paid.

6. Recoveries of expenses

The Corporation provides certain technical and administrative assistance to the Department of National Defence and other government departments and agencies on a cost-recovery basis. As at March 31, 1985 accounts receivable for recoveries were $51,228 (1984—$66,438).

During the year, in the normal course of operations, the Department of National Defence provided office space free of charge for 196 employees of the Corporation.

7. Lease commitments

The Corporation leases certain equipment and accommodation in the performance of its operations. The future aggregate minimum lease payments are:

	1985
	$
Year ending March 31	
1986	58,079
1987	56,774
1988	48,988
1989	46,178
1990	26,937
	236,956

8. Contingencies

Claims aggregating approximately $1,098,000 in respect of contractual obligations have been received by the Corporation, but are not reflected in the accounts. In the opinion of management and legal counsel, the position of the Corporation is defensible, however the final outcome of such claims is not determinable. Any settlements resulting from the resolution of these claims will be funded through parliamentary appropriations of the Department of National Defence, in the year in which the settlements occur.

9. Supplementary information

The Corporation's contracting activity on behalf of government departments and agencies is summarized below:

	1985	1984
	(in thousands of dollars)	
Contracts in progress at beginning of the year	327,022	287,352
Contracts awarded	243,287	175,118
	570,309	462,470
Contracts completed	165,554	135,448
Contracts in progress at end of the year	404,755	327,022
Payments on contracts in progress at end of the year	294,219	244,055
Work outstanding on contracts in progress at end of the year	110,536	82,967

10. Comparative figures

Certain comparative figures for 1984 have been reclassified to conform with the 1985 presentation.

SUMMARY PAGE

EXPORT DEVELOPMENT CORPORATION

MANDATE

To facilitate and develop export trade by the provision of insurance, guarantees, loans and other financial facilities.

BACKGROUND

Funding from Canada for Corporate Account transactions is provided by loans and equity infusions, but the growth of the corporation's business in recent years has been financed mainly by its borrowing in the private markets. Apart from its corporate activities, EDC administers for Canada certain export financing transactions considered to be in the national interest for Canada, including those made pursuant to section 31 of the *EDC Act*.

CORPORATION DATA

HEAD OFFICE	151 O'Connor Street 14th Floor P.O. Box 655 Ottawa, Ontario K1P 5T9
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Right Honourable Joe Clark, P.C., M.P.
DEPARTMENT	External Affairs
MEANS OF INCORPORATION	Established in 1969 by the *Export Development Act* (R.S.C. 1970, C. E-18).
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	Sylvain Cloutier
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	1983	1982	1981
CORPORATE ACCOUNT				
At the end of the year				
Total Assets	6,611	6,063	5,282	4,270
Obligations to the private sector	5,113	4,511	3,844	2,973
Obligations to Canada	258	376	448	529
Equity of Canada	855	769	651	535
Cash from Canada in the year				
— budgetary	nil	nil	nil	nil
— non-budgetary	79	116	115	40
CANADA ACCOUNT				
At the year-end				
Funded by Canada, cumulative	1,061	900	753	686

EXPORT DEVELOPMENT CORPORATION

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied, which conform in all material respects with international accounting standards. The integrity and objectivity of the data in these financial statements are management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements. In support of its responsibility, management maintains financial and management control systems and practices to provide reasonable assurance as to the reliability of financial information, that the assets are safeguarded and the operations are carried out effectively. The Corporation has an internal audit department whose functions include reviewing internal controls and their application, on an ongoing basis.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management, the internal auditors and the Auditor General of Canada on a regular basis.

The Board of Directors is responsible for all business undertaken by the Corporation. Contracts which, in the opinion of the Board of Directors, involve risks for a term or an amount in excess of that which the Corporation would normally undertake, may be entered into under the authority of the Governor in Council where the Minister considers them to be in the national interest. The Board of Directors is not accountable for such contracts, its obligation in relation thereto being limited to ensuring that they are administered in a sound manner. Funds required for such contracts are paid to the Corporation by Canada, and funds recovered are remitted to Canada, net of amounts withheld to cover related administrative expenses. The administration of accounts on behalf of Canada are shown in Note 10 to the Corporation's financial statements.

The Auditor General of Canada conducts an independent examination, in accordance with generally accepted auditing standards, and expresses his opinion on the financial statements. His examination includes a review and evaluation of the Corporation's system of internal control and appropriate tests and procedures to enable him to report whether the financial statements are presented fairly and whether the transactions that have come to his notice during the course of his examination have been in accordance with stated authorities. The Auditor General has full and free access to the Audit Committee of the board and meets with it on a regular basis.

SYLVAIN CLOUTIER
Chairman of the Board and President

B.A. CULHAM
Senior Vice-President, Finance and Treasurer

AUDITOR'S REPORT

THE RIGHT HONOURABLE JOE CLARK, P.C., M.P.
SECRETARY OF STATE FOR EXTERNAL AFFAIRS

I have examined the balance sheet of Export Development Corporation as at December 31, 1984 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, the transactions of the Corporation that have come to my notice in the course of my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Export Development Act and the by-laws of the Corporation.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
February 27, 1985

BALANCE SHEET AS AT DECEMBER 31
(in thousands of dollars)

ASSETS	1984	1983
Loans receivable (Note 2)		
Principal	5,716,384	5,141,041
Less: participation by other lenders	65,906	90,304
	5,650,478	5,050,737
Accrued interest and fees	272,054	188,496
	5,922,532	5,239,233
Less: allowance for losses on loans	83,261	62,342
	5,839,271	5,176,891
Investments		
Cash and short-term deposits	677,504	814,360
Canada bonds at amortized cost (market value: 1984—$4,481, 1983—$9,381)	5,048	10,053
Accrued interest	10,330	7,782
	692,882	832,195
Other assets		
Unamortized debt discount and issue expenses	47,235	24,246
Other	32,048	29,691
	79,283	53,937
	6,611,436	6,063,023

LIABILITIES	1984	1983
Loans payable		
Short-term	1,533,345	1,238,748
Long-term (Note 3)	3,837,615	3,648,599
Accrued interest	179,091	174,139
	5,550,051	5,061,486
Other liabilities and deferred revenues		
Accounts payable	51,259	91,639
Deferred revenues and other credits	133,293	120,479
Allowance for claims on insurance and guarantees	22,287	20,356
	206,839	232,474
SHAREHOLDER'S EQUITY		
Share capital (Note 4)	660,000	581,000
Retained earnings	194,546	188,063
	854,546	769,063
	6,611,436	6,063,023

Commitments and contingent liabilities (Note 5)

Approved by the Board of Directors:

SYLVAIN CLOUTIER
Chairman of the Board and President

B. A. CULHAM
Senior Vice-President, Finance and Treasurer

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1984	1983
Loans and guarantees		
Interest earned	553,469	462,150
Fees earned	19,611	15,264
Investment interest earned	81,481	70,032
	654,561	547,446
Interest expense		
Long-term	436,928	423,932
Short-term	175,434	93,422
Provision for losses on loans	24,120	9,671
	636,482	527,025
	18,079	20,421
Insurance and guarantees		
Premiums and fees earned	17,433	17,897
Investment interest earned	5,613	2,726
	23,046	20,623
Provision for claims	6,411	8,823
	16,635	11,800
Income from operations	34,714	32,221
Administrative expenses	28,231	30,245
Net income	6,483	1,976
Retained earnings		
Beginning of year	188,063	186,087
End of year	194,546	188,063

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1984	1983
Funds provided		
Long-term loans payable	795,416	734,806
Loans receivable repaid	578,690	486,257
Share capital issued	79,000	116,000
Fees and premiums received	47,321	53,609
Canada bonds sold and matured	5,005	16,444
Total funds provided	1,505,432	1,407,116
Funds employed		
Net income	(6,483)	(1,976)
Items not affecting funds		
Provision for claims and losses on loans	(30,531)	(18,494)
Net increase in accruals and deferrals	165,662	78,907
To operations	128,648	58,437
Increase in loans receivable	949,955	890,897
Long-term loans payable repaid	661,196	372,874
Canada loans repaid	119,366	71,985
Decrease (increase) in accounts payable	42,775	(22,994)
Participation by other lenders repaid	29,032	53,851
Fixed asset expenditures	5,590	2,203
Claims paid, net of recoveries	323	23,631
Total funds employed	1,936,885	1,450,884
Decrease in funds	431,453	43,768
Represented by		
Increase in short-term loans payable	294,597	279,875
Decrease (increase) in cash and short-term deposits	136,856	(236,107)
	431,453	43,768

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. Summary of significant accounting policies

These financial statements are prepared in accordance with accounting principles generally accepted in Canada, consistently applied, and conform in all material respects with International Accounting Standards. A summary of significant accounting policies follows:

Loan interest earned

Interest is accrued on principal receivable until such time as the Corporation accelerates all payments falling due under a loan agreement or when, in the opinion of management, there is significant doubt as to its collectibility or the loan becomes non-current. Non-current is defined as any rescheduled loan where a significant payment has not been received for one year.

Finance and service charges, which are paid by exporters, are taken into interest earned over the disbursement and repayment periods of a loan.

Loan fees earned

Administration fees are taken into income as earned over the disbursement and repayment periods of a loan, and standby fees are taken into income over the disbursement period.

Exposure fees, which are paid by exporters, are taken into income over the disbursement and repayment periods of a loan.

Investment interest earned

Investment interest earned is prorated between loans and guarantees and insurance and guarantees on the basis of average funds invested.

Interest expense

Interest expense includes the amortization of debt discount and issue expenses which is charged over the life of the debt on a straight-line basis.

Allowance for losses on loans receivable

The allowance for losses on loans is based on a review of collectibility of all outstanding loans to sovereign and commercial borrowers. In respect of this review, the Corporation recognizes that the future economic and political conditions in some of the countries where the Corporation has made loans are subject to varying degrees of uncertainties and pressures. Accordingly, delays in the repayment of principal and interest may occur from time to time.

In the case of loans made to or guaranteed by sovereign borrowers, that is the governments of countries or their agencies, payment delays are not necessarily indicative of a future loss requiring an allowance. Sovereign entities and their international financial obligations do not have commercial mortality, and the international system does not allow the unilateral denial of a sovereign obligation. Furthermore, the international system provides several mechanisms and institutions through which countries facing repayment difficulties can effect remedial measures in agreement with their creditors. Therefore, except in the rare instance of a write-off of asset value agreed to by creditors, the ultimate collectibility of a sovereign obligation, and thus its asset value, is not, in the opinion of management, subject to question although delays may have to be accepted.

It is the policy of the Corporation to set aside from income, in addition to any specific provisions made as a result of the review of the outstanding loans, an amount sufficient to maintain an accumulated non-specific allowance proportionate to the total loan principal and interest receivable for which no specific provision has been made.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Continued*

Insurance premiums

For global export insurance policies, premiums are taken into income at the commencement of coverage. Premiums on other export insurance policies are taken into income using methods which generally reflect the exposures over the terms of the policies. Foreign investment insurance premiums are taken into income evenly over the terms of coverage, except that the premium in the first year is taken into income in its entirety when received.

Allowance for claims on insurance and guarantees

The Corporation provides for claims based on claims experience augmented, if necessary, by a specific provision based on a review of contingent liabilities. Claims payments are recorded at estimated recoverable values and included with other assets. Subsequent net gains or losses on recovery are credited or charged to income.

Translation of foreign currency

The Corporation hedges its U.S. dollar assets and liabilities on a total portfolio basis. Any net exposure to future changes in the U.S. dollar foreign exchange rates is due to short-term timing differences in cash flows. It is the Corporation's policy to manage assets and liabilities denominated in U.S. dollars in such a way as to minimize this net exposure. Accordingly, assets and liabilities denominated in U.S. dollars are translated into Canadian dollars at exchange rates prevailing at year-end.

Gains and losses relating to the translation of unhedged long-term foreign currency assets or liabilities in other than U.S. dollars are deferred and amortized on a straight-line basis over the remaining life of the asset or liability. The unamortized balance of the deferred exchange gains or losses is included in deferred revenues or other assets.

Income and expenses are translated at average monthly exchange rates in effect during the year. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are reported with investment interest earned.

2. Loans receivable

Loans receivable from both sovereign and commercial borrowers, net of participation by other lenders, are at interest rates established in competition with similar export credit agencies in other countries and are generally below commercial rates. These loans mature as follows:

	December 31	
	1984	1983
	(in thousands of dollars)	
Overdue	154,391	79,939
1984		571,419
1985	667,067	606,429
1986	692,068	597,504
1987	674,885	574,161
1988	704,733	580,920
1989	655,644	523,053
1990-1994	1,795,150	1,329,114
1995 and thereafter	306,540	188,198
	5,650,478	5,050,737
Commercial loans included above	1,509,481	1,467,571

The geographic distribution of these loans is as follows:

	December 31	
	1984	1983
	(in thousands of dollars)	
Pacific	400,345	341,236
North Asia	272,239	274,830
South Asia	120,753	109,894
Middle East and East Africa	487,842	451,741
North and West Africa	1,089,087	857,741
Eastern Europe	647,212	620,133
Western Europe	643,800	626,450
USA and Caribbean	715,181	628,678
Mexico and Central America	369,895	370,954
South America East	471,706	430,879
South America West	432,418	338,201
	5,650,478	5,050,737

During 1984, overdue interest of $141,019 thousand (1983—$61,011 thousand) was recognized as earned, and interest not accrued on non-current loans amounted to $2,966 thousand (1983—$2,619 thousand).

The geographic distribution of the overdue principal and interest, in the amounts of $154,391 thousand (1983—$79,939 thousand) and $141,019 thousand (1983—$61,011 thousand) respectively, is as follows:

	December 31	
	1984	1983
	(in thousands of dollars)	
Pacific	880	819
Middle East and East Africa	5,252	12,235
North and West Africa	22,385	21,485
Eastern Europe	67,685	35,482
Western Europe	9,979	4,740
USA and Caribbean	10,082	9,691
Mexico and Central America	33,601	15,242
South America East	96,240	33,936
South America West	49,306	7,320
	295,410	140,950

In order to facilitate the collectibility of some loans or portions of loans, the Corporation has rescheduled principal and interest payments in the following amounts:

	December 31	
	1984	1983
	(in thousands of dollars)	
During the year		
Sovereign—Principal	48,358	39,487
—Interest	18,620	18,331
	66,978	57,818
Balance of rescheduled loans outstanding		
Sovereign	213,031	205,515
Commercial	4,598	9,805
	217,629	215,320
Amounts overdue	7,297	5,764

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Continued*

3. Long-term loans payable

Long-term loans payable are as follows:

	December 31 1984	December 31 1983
	(in thousands of dollars)	
Commercial loans		
Interest rates from 5.38% to 16.88% (1983—5.38% to 16.88%)	3,579,931	3,272,246
Canada loans		
Interest rates from 5.50% to 9.25% (1983—5.50% to 9.25%)	257,684	376,353
	3,837,615	3,648,599

These loans mature as follows:

	December 31 1984	December 31 1983
	(in thousands of dollars)	
1984		733,687
1985	489,153	470,901
1986	442,949	427,828
1987	867,747	822,711
1988	1,101,961	1,047,971
1989	491,917	59,908
1990-1994	443,888	85,593
	3,837,615	3,648,599

4. Share capital

The authorized share capital is $1.5 billion consisting of 15 million shares with a par value of $100 each. The number of shares issued and fully paid is as follows:

	December 31 1984	December 31 1983
	(in thousands of dollars)	
Beginning of year	5,810	4,400
Issued	790	1,410
End of year	6,600	5,810

5. Statutory limits, commitments and contingent liabilities

The Export Development Act (the Act) allows the Corporation to have outstanding loans and commitments to foreign borrowers up to a maximum of $15 billion. The position against this limit, determined in accordance with the requirements of the Act, is as follows:

	December 31 1984	December 31 1983
	(in thousands of dollars)	
Loans receivable, net of participation	5,650,478	5,050,737
Undisbursed commitments on signed loan agreements, net of participation without recourse, most of which were signed between December, 1975 and December, 1984 at face rates from 7.75% to 13.60% (1983—between December, 1975 and December, 1983 at face rates from 7.80% to 14.10%)	3,302,566	3,067,185
Participation by other lenders with recourse in loans receivable	1,610	5,424
Less: amounts not subject to statutory limit	88,761	86,990
	8,865,893	8,036,356
Contingent liabilities included above	1,610	5,424

It is anticipated that undisbursed commitments under signed loan agreements will be disbursed as delivery of goods and services or progress on projects is achieved, the average period of disbursement being typically three years. The Corporation expects to fund these commitments near the time of disbursement by issuing a combination of debt instruments in world capital markets at commercial rates of interest and capital stock, while generally attempting to match debt maturities and currencies with those of its average export loans. Owing to fluctuations in interest rates and other factors beyond its control, the Corporation is not always able to fund its undisbursed loan commitments at interest rates which would result in a profit.

The Act also specifies that the Corporation can incur liabilities under contracts of insurance, related guarantees and guarantees pertaining to the lending program up to a maximum of $15 billion. The position against this limit, determined in accordance with the requirements of the Act, is as follows:

	December 31 1984	December 31 1983
	(in thousands of dollars)	
Insurance and related guarantees	2,274,935	2,262,129
Loan guarantees —Disbursed	185,038	180,827
—Undisbursed	7,874	5,676
	2,467,847	2,448,632
Contingent liabilities included above	2,009,817	1,865,717

The Act allows the Corporation to borrow up to a maximum of ten times the aggregate of its paid-in capital from time to time and the retained earnings determined in accordance with the most recent audited financial statements. As at December 31, 1984, this formula produced a limit of $8,481 million, (1983—$7,671 million) against which borrowings amounted to $5,371 million (1983—$4,887 million).

6. Short-term deposits and loans payable

Activity in respect to short-term deposits and loans payable was as follows:

	Year ended December 31 1984	Year ended December 31 1983
	(in thousands of dollars)	
Short-term deposits		
Daily average	820,600	708,900
High	1,248,700	1,077,300
Low	416,800	356,100
Short-term loans payable		
Daily average	1,670,600	1,004,800
High	2,147,800	1,449,100
Low	1,209,500	636,000

The Corporation also had lines of credit and overdraft facilities aggregating $2,095 million at December 31, 1984 (1983—$1,400 million).

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Continued*

7. Foreign currency balances

The Corporation has substantial assets and liabilities in U.S. dollars and in other currencies. The Canadian dollar equivalent is as follows:

	December 31 1984	December 31 1983
	(in thousands of dollars)	
U.S. Dollars		
Assets	4,522,260	3,957,147
Liabilities	4,499,725	4,077,494
	22,535	(120,347)
Forward exchange contracts	4,593	48,770
Net exposure	27,128	(71,577)
Rate of exchange U.S. $1.00	1.3217	1.2444
Swiss francs, Yen and Deutsche marks		
Assets	24,309	9,057
Liabilities	193,470	122,587
	(169,161)	(113,530)
Forward exchange contracts	(6,054)	110,156
Net exposure	(175,215)	(3,374)

8. Related party transactions

Transactions with Canada are summarized as follows:

	Year ended December 31 1984	Year ended December 31 1983
	(in thousands of dollars)	
Income and expense items		
Interest expense	23,758	33,187
Less: administrative expenses recovered	6,472	2,834
interest earned	925	2,269
	16,361	28,084
Amounts due to (due from) Canada		
Canada bonds, bearing interest at rates from 9.50% to 9.75% (1983—9.50% to 9.75%) maturing 1985 through 1994	(5,048)	(10,053)
Accrued interest receivable	(23)	(226)
Accounts administered for Canada (Note 10)	19,255	28,395
Long-term loans payable	257,684	376,353
Accrued interest payable	7,175	10,958
Unused parliamentary appropriation		39,000
Other liabilities		9,136
	279,043	453,563

The Government of Canada intends to recommend that Parliament appropriate such funds as are necessary to cover losses, if any, of the Corporation. To date, no such funds have been necessary.

The Corporation is not subject to the requirements of the Income Tax Act with respect to its earnings.

The Corporation also enters into transactions with other Crown corporations in the normal course of business.

9. Segmented information

Loans and insurance are the Corporation's significant industrial segments.

Loans and guarantees and insurance and guarantees on the Statement of Income and Retained Earnings reflect income from operations of the two segments before deduction of administrative expenses.

The assets of the Corporation are predominantly identifiable with the loans and guarantees program. The geographic distribution of loans is shown in Note 2.

Loan interest and fees earned outside Canada for the year ended December 31, 1984 was $551 million (1983—$461 million).

Insurance premiums and fees are earned in Canada.

10. Accounts administered for Canada

(a) Pursuant to The Act, the Corporation administers for Canada certain loans and insurance programs entered into under the authority of the Governor in Council for which the Board of Directors is not accountable other than in respect of the administration of the contracts.

The summarized financial information set out below is provided for purposes of accountability to Parliament and is consolidated annually, as at March 31, with the financial statements of the Government of Canada which are reported upon separately by the Auditor General of Canada. This financial information has been prepared in all material respects in accordance with the accounting policies set out in Note 1, except that no allowance has been made for losses on loans receivable and, consistent with the stated accounting policies of the Government of Canada, no allowance has been made for claims on insurance and guarantees.

Loans receivable, which are recorded at amounts disbursed net of repayments, include some loans where the interest rates were significantly below commercial rates at the time the contract was entered into.

	December 31 1984	December 31 1983
	(in thousands of dollars)	
Assets		
Loans receivable (Note 10 (b))		
Principal	985,188	865,002
Less: participation by other lenders	19,744	30,185
	965,444	834,817
Accrued interest and fees	76,299	46,337
Other receivables	15	1,695
Due from the Corporation (Note 8)	19,255	28,395
	1,061,013	911,244
Liabilities		
Deferred revenues		10,915
Net assets	1,061,013	900,329

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

These net assets were funded by Canada as follows:

	Year ended December 31 1984	1983
	(in thousands of dollars)	
Funds provided by Canada less repayments of principal and interest, net of participation	19,876	51,938
Loans interest, fees, insurance and guarantee premiums earned	111,774	81,130
Claims paid, net of recoveries	(5,591)	(3,456)
Administrative expenses	(6,472)	(2,834)
Increase in payables to Canada	41,097	20,546
	160,684	147,324
Net assets funded by Canada		
Beginning of year	900,329	753,005
End of year	1,061,013	900,329

(b) Canada account loans receivable

Loans receivable from both sovereign and commercial borrowers, net of participation by other lenders, mature as follows:

	December 31 1984	1983
	(in thousands of dollars)	
Overdue	78,712	49,835
1984		62,215
1985	72,261	68,359
1986	75,176	71,229
1987	74,034	70,103
1988	65,284	61,829
1989	52,568	50,434
1990-1994	323,047	253,525
1995 and thereafter	224,362	147,288
	965,444	834,817
Commercial loans included above	73,987	78,743
Overdue interest	61,583	32,601

In order to facilitate the collectibility of some loans or portions of loans, agreements have been concluded with the approval of the Governor in Council to reschedule principal and interest payments due in the current year in the following amounts:

	December 31 1984	1983
	(in thousands of dollars)	
During the year		
Sovereign —Principal	8,758	5,481
—Interest	1,782	2,673
	10,540	8,154
Balance of rescheduled loans outstanding		
Sovereign	52,175	43,713
Amounts overdue	6,413	2,673

(c) Canada account statutory limits, commitments and contingent liabilities

The Act allows the Accounts administered for Canada to have outstanding loans and commitments to foreign borrowers up to a maximum of $6 billion. The position against this limit, determined in accordance with the requirements of the Act, is as follows:

	December 31 1984	1983
	(in thousands of dollars)	
Loans receivable, net of participation	965,444	834,817
Undisbursed commitments on signed loan agreements, net of participation without recourse	373,237	529,000
Participation by other lenders with recourse in loans receivable	19,744	30,185
Less: amounts not subject to statutory limit	2,591	3,109
	1,355,834	1,390,893
Contingent liabilities included above	19,744	30,185

The Act also specifies that the Accounts administered for Canada can incur liabilities under contracts of insurance, related guarantees and guarantees pertaining to the lending program up to a maximum of $7 billion. The position against this limit, determined in accordance with the requirements of the Act, is as follows:

	December 31 1984	1983
	(in thousands of dollars)	
Insurance and related guarantees	428,139	417,418
Loan guarantees—Disbursed		6,831
	428,139	424,249
Contingent liabilities included above	374,049	360,461

SUMMARY PAGE

FARM CREDIT CORPORATION

MANDATE

To assist Canadian farmers to establish and develop viable farm enterprises through the provision of long-term credit and other financial services.

BACKGROUND

Since 1959, under the authority of the *Farm Credit Act* the corporation has made loans to farmers for the purchase of farm lands, for permanent farm improvements, for the purchase of livestock and machinery, and to refinance debt. Under the authority of the *Farm Syndicates Credit Act* the corporation may make loans to groups of farmers for the joint acquisition of agricultural facilities and equipment. The maximum loan for an individual farmer is $350,000 and for a syndicate is $100,000. As of March 31, 1985 the corporation had 79,270 loans outstanding. The corporation has 635 employees stationed at headquarters, seven regional offices and about 100 district and field offices.

CORPORATION DATA

HEAD OFFICE	P.O. Box 2314 Station D 434 Queen Street Ottawa, Ontario K1P 6J9
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable John Wise, P.C., M.P.
DEPARTMENT	Agriculture
MEANS OF INCORPORATION	Established in 1959 by the *Farm Credit Act*. Its predecessor was the Canadian Farm Loan Board, founded in 1929.
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	Eiliv H. Anderson
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**	**1982-83**	**1981-82**
At the end of the period				
Total Assets	4,940	4,901	4,300	3,854
Obligations to the private sector	571	306	50	nil
Obligations to Canada	4,110	4,310	3,955	3,584
Equity of Canada	129	131	164	154
Cash from Canada in the period				
— budgetary	nil	nil	nil	nil
— non-budgetary	(171)*	642	558	503

* This net non-budgetary amount takes account of $28 million infusion of capital.

FARM CREDIT CORPORATION

MANAGEMENT REPORT

The accompanying financial statements of Farm Credit Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared by management in accordance with accounting principles which are generally accepted in Canada and which have been consistently applied. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal controls is augmented by internal audit which conducts periodic reviews of different aspects of the Corporation's operations. In addition, the internal and external auditors have full and free access to the Audit Committee of the Board, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

These financial statements have been independently examined by the Corporation's auditor, the Auditor General of Canada, and his report is included herein.

EILIV H. ANDERSON
Chairman and Chief Executive Officer

WILLIAM G. MANN
Comptroller and Chief Financial Officer

AUDITOR'S REPORT

THE HONOURABLE JOHN WISE, P.C., M.P.
MINISTER OF AGRICULTURE

I have examined the balance sheet of Farm Credit Corporation as at March 31, 1985 and the statements of operations and deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Farm Credit Act and the by-laws of the Corporation.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 5, 1985

BALANCE SHEET AS AT MARCH 31, 1985
(in thousands of dollars)

ASSETS	1985	1984
Cash		40,828
Accounts receivable	92	396
Loans receivable (Note 3)	4,992,728	4,917,100
Less: allowance for loan losses	105,400	86,650
	4,887,328	4,830,450
Real estate	26,987	14,301
Fixed assets	1,738	1,580
Unamortized debt issue expenses	24,084	13,667
	4,940,229	4,901,222

LIABILITIES	1985	1984
Bank indebtedness	161	
Accounts payable and accrued liabilities	6,223	5,981
Short-term notes	97,333	
Provision for employee termination benefits	2,844	2,495
Loans payable (Note 4)	4,704,563	4,761,863
	4,811,124	4,770,339
EQUITY OF CANADA		
Contributed capital (Note 5)	218,333	189,933
Deficit	89,228	59,050
	129,105	130,883
	4,940,229	4,901,222

The accompanying notes are an integral part of the financial statements.

Approved by the Board:

EILIV H. ANDERSON
Chairman and Chief Executive Officer

PAUL BABEY
Vice-Chairman and Chief Operating Officer

STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Interest income		
Loans receivable	514,410	481,336
Investments	12,851	5,924
	527,261	487,260
Interest expense		
Loans payable	466,670	441,508
Short-term notes	13,312	4,312
	479,982	445,820
Net interest income	47,279	41,440
Provision for loan losses	46,278	65,708
	1,001	(24,268)
Fees and other income	907	2,516
	1,908	(21,752)
Administrative expenses		
Salaries and employee benefits	23,978	23,718
Office accommodation	2,353	2,273
Travel	2,183	2,509
Other	3,572	3,143
	32,086	31,643
Loss before extraordinary item	30,178	53,395
Extraordinary item (Note 6)		3,319
Loss for the year	30,178	56,714
Deficit at beginning of the year	59,050	2,336
Deficit at end of the year	89,228	59,050

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Funds provided		
Loans from capital markets	167,543	255,599
Net increase (decrease) in short-term notes	97,333	(5,000)
Loans receivable repaid	235,247	230,024
Capital contributed by Canada	28,400	23,900
	528,523	504,523
Funds applied		
Operations		
Loss before extraordinary item	30,178	53,395
Items not involving cash		
Provision for loan losses	(46,278)	(65,708)
Increase in interest due from borrowers	45,754	26,527
Net change in accrued interest	32,458	17,153
Other	3,322	8,680
Cash applied to operations	65,434	40,047
Loans repaid to Canada	867,025	263,966
Less: loans from Canada	667,200	618,300
	199,825	(354,334)
Loans to farmers	270,798	806,991
Less: loans refinanced	12,605	20,959
	258,193	786,032
Losses on loans receivable and write-down of real estate	27,528	13,728
Increase in real estate	12,686	6,669
Net change in other assets and liabilities	5,846	785
	46,060	21,182
	569,512	492,927
Increase (decrease) in cash	(40,989)	11,596
Cash at beginning of the year	40,828	29,232
Cash at end of the year	(161)	40,828

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. The Corporation

Farm Credit Corporation was established in 1959 by the Farm Credit Act as the successor to the Canadian Farm Loan Board and is a Crown corporation named in Schedule C, Part I of the Financial Administration Act. The Corporation's prime objective is to assist Canadian farmers to establish and develop viable farm enterprises through the use of long-term credit as provided for by the Farm Credit Act.

The Corporation also administers the lending program authorized under the Farm Syndicates Credit Act which was originally introduced as the Farm Machinery Syndicates Credit Act in 1964. It provides for loans to groups or syndicates of farmers organized to share in the purchase and use of farm machinery, buildings and installed equipment.

Under the provisions of the Farm Credit Act, the Corporation is also required to administer certain programs assigned to it by the Government. The Corporation extended credit under the Special Farm Financial Assistance Program, a temporary program which expired in June 1984, introduced to assist farmers in financial difficulty.

2. Significant accounting policies

(a) Allowance for loan losses

The allowance for loan losses relates to loans receivable and represents an estimate of future probable losses on the accounts outstanding at the end of the year. With respect to this estimate, the Corporation recognizes that future economic and agricultural conditions are not predictable and, therefore, their impact on the collectability of loans is uncertain.

Actual losses on loans and write-downs of acquired real estate to net realizable value are charged to the allowance while recoveries of loan losses are credited to the allowance. The adjustment of the allowance to the appropriate level is charged to operations as a provision for loan losses.

(b) Revenue recognition

Interest income is recorded on an accrual basis.

Loan application fees are recorded when received. Appraisal fees withheld from loan funds are recorded at the time the loans are disbursed. Partial discharge fees are recorded when the discharge occurs.

Service charges earned on loans to farm syndicates are recorded when loans are disbursed.

Penalties charged on loan prepayments are recorded at the time the prepayments are applied as a reduction of loan principal.

(c) Real estate

Real estate is carried at the lower of cost and net realizable value. It represents farm property acquired in the process of administering the outstanding loans receivable and must be disposed of within five years of acquisition or such further period as the Governor in Council may prescribe.

(d) Fixed assets

Fixed assets are recorded at cost less accumulated depreciation. Leasehold improvements are amortized using the straight-line method over the term of the lease and one renewal period. Computer hardware and software are depreciated using the straight-line method over their estimated useful lives. Other fixed assets are depreciated using the diminishing balance method at annual rates of 20% for furniture and equipment and 30% for automobiles.

(e) Debt issue expenses

Discounts and expenses relating to the issuance of debt are amortized on a straight-line basis over the life of the debt and included in interest expense on loans payable.

(f) Translation of foreign currencies

Loans payable in foreign currencies are hedged by currency conversion agreements and are translated into Canadian dollars at the rates provided therein. The differences between the ultimate amounts payable at the contracted rates and the cash proceeds of the debt issues are considered to be financing costs and are therefore amortized by charges to interest expense over the lives of the obligations on a straight-line basis. The unamortized portion of these costs is included with unamortized debt issue expenses in the balance sheet. The related interest payable on these debt issues is also hedged by currency conversion agreements and is translated into Canadian dollars at such contract rates.

(g) Pension plan

The Corporation's employees participate in the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are made equally by both employees and the Corporation, and these contributions in respect of current service are expensed during the year in which the services are rendered.

(h) Employee termination benefits

On termination of employment, employees of the Corporation are entitled to severance benefits provided for under their terms of employment. The liability for these benefits is recorded as the benefits accrue to the employees.

(i) Income taxes

The Corporation records income taxes on the tax allocation basis which recognizes the income tax effect on transactions when they are recorded in accounting income, regardless of when such items are recognized for tax purposes.

3. Loans receivable

	Maturities not exceeding	Annual interest rate %	1985	1984
			(in thousands of dollars)	
Loans to farmers, secured by mortgages	30 years	5-7 ⅞	669,626	718,747
	30 years	8-10 ⅞	1,895,046	1,966,614
	30 years	11-13 ⅞	2,180,322	1,582,323
	30 years	14-16 ¾	205,247	610,782
			4,950,241	4,878,466
Loans to farm syndicates, secured by notes	15 years	6 ¼-17 ½	11,512	13,770
Loans receivable from real estate sales, secured by agreements for sale or mortgages	27 years	5-16 ¾	25,020	18,652
Loans receivable under the Small Farm Development Program, secured by agreements for sale	20 years	7-10	5,955	6,212
			4,992,728	4,917,100

Maturities by fiscal year are as follows:

	1985	1984
	(in thousands of dollars)	
1985		429,450
1986	502,998	118,421
1987	138,036	126,558
1988	148,228	135,036
1989	158,937	144,046
1990	170,538	154,560
1991 through 2015	3,873,991	3,809,029
	4,992,728	4,917,100

At March 31, 1985 accrued interest of $263.0 million (1984—$255.6 million) and arrears of $164.2 million (1984—$110.5 million) are included in loans receivable and shown as maturing in the year ending March 31, 1986.

Prepayments of principal from farmers of $101.6 million (1984—$129.5 million) were received during the year.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

4. Loans payable

	Maturities not exceeding	Annual interest rate %	1985	1984
			(in thousands of dollars)	
Loans from Canada, secured by notes				
Farm Credit Act	20 years	4-7 ⅞	726,078	826,201
	20 years	8-10 ⅞	1,550,144	1,563,447
	20 years	11-13 ⅞	1,815,966	1,521,803
	20 years	14-16 ¾		377,234
			4,092,188	4,288,685
Farm Syndicates Credit Act	7 years	8-16 ½	10,518	13,367
Small Farm Development Program	20 years	6-9	7,323	7,802
			4,110,029	4,309,854
Loans from the capital markets, secured by notes				
Farm Credit Act	10 years	9-12 ⅞	461,575	299,992
Amounts owing in respect of interest rate and currency conversion agreements	10 years	10-10 ⅞	11,568	5,608
			4,583,172	4,615,454
Accrued interest			121,391	146,409
			4,704,563	4,761,863

Maturities by fiscal year are as follows:

	1985	1984
	(in thousands of dollars)	
1985		348,463
1986	318,260	201,136
1987	191,198	191,157
1988	187,996	188,293
1989	203,330	204,051
1990	830,469	213,946
1991 through 2004	2,973,310	3,414,817
	4,704,563	4,761,863

At March 31, 1985 accrued interest of $121.4 million (1984—$146.4 million) is shown as maturing in the year ending March 31, 1986.

By Order in Council, the Minister of Finance is authorized to provide a net increase in loans from Canada of $90.0 million for the year ending March 31, 1986. The Corporation has also received approval to borrow an amount not exceeding $326.7 million from capital markets during the fiscal year ending March 31, 1986. However, the total borrowed from these two sources shall not exceed $326.7 million.

5. Contributed capital

The contributed capital of the Corporation represents the amount received from Canada under Section 12 of the Farm Credit Act. The statutory limit on this amount is $225.0 million (1984—$225.0 million). During the year, capital of $28.4 million (1984—$23.9 million) was contributed by Canada.

6. Income taxes

At March 31, 1985 the Corporation has available various timing differences of approximately $89.0 million which have not been recognized in the accounts and which result primarily from differences between the provision for loan losses charged to operations and the amount claimed for tax purposes pursuant to Section 33 of the Income Tax Act.

The amount of $3.3 million in potential future tax reductions recorded as an asset at March 31, 1983 was written-off as an extraordinary item in the year ended March 31, 1984 as the Corporation determined that it was no longer appropriate to record these benefits.

7. Limits on borrowing

The Farm Credit Act limits the aggregate amount outstanding of the principal borrowings by the Corporation pursuant to the Act to twenty-five times the capital of the Corporation. At March 31, 1985 the Corporation's outstanding borrowings under this Act, comprising short-term notes of $97.1 million and loans payable of $4,560.3 million, were 21.33 times the capital of $218.3 million (1984—24.20 times).

The Farm Syndicates Credit Act limits the loans from Canada pursuant to the Act to twenty-five million dollars. At March 31, 1985 the Corporation's loans from Canada under this Act were $10.5 million (1984—$13.4 million).

8. Commitment to farmers

As at March 31, 1985 loans to farmers approved but not disbursed amounted to $41.2 million (1984—$61.0 million), most of which were approved at rates ranging from 12 ¾% to 13 ½%. It is expected that the majority of these loans will be disbursed within the six-month period ending September 30, 1985 from funds to be borrowed by the Corporation at prevailing commercial rates of interest at the time of borrowing.

9. Operating leases

The future minimum lease payments by fiscal year required under operating leases having initial non-cancellable lease terms in excess of one year are as follows:

	(in thousands of dollars)
1986	1,678
1987	1,507
1988	1,026
1989	704
1990	585
1991 and subsequent	2,235
	7,735

These leases generally provide for the payment by the Corporation of real estate taxes and operating expenses in excess of those amounts established at the commencement of the lease term.

10. Segmented information

The Corporation operates in one business segment, providing long-term loans to Canadian farmers.

11. Comparative figures

The 1984 comparative figures have been reclassified to reflect the presentation adopted in 1985.

SUMMARY PAGE

FEDERAL BUSINESS DEVELOPMENT BANK

MANDATE

To promote and assist in the establishment and development of business enterprises in Canada by providing financial assistance, management counselling, management training, information and advice.

BACKGROUND

Since 1974, the bank has provided financial assistance to Canadian firms by acting as a supplementary lender and a source of equity financing. It also provides financial planning, counselling and training, and other management services.

CORPORATION DATA

HEAD OFFICE	800 Victoria Square Montreal, Quebec H4Z 1L4
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Sinclair Stevens, P.C., Q.C., M.P.
DEPARTMENT	Regional Industrial Expansion
DATE AND MEANS OF INCORPORATION	Established in 1974 under the *Federal Business Development Bank Act* (Successor to the Industrial Development Bank, established 1944).
CHIEF EXECUTIVE OFFICER	Guy A. Lavigueur
CHAIRMAN	Harold H. MacKay, Q.C.
AUDITOR	Maheu Noiseux and Price Waterhouse

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	1983-84	1982-83	1981-82
At the end of the period				
Total Assets	1,566	1,616	1,907	1,958
Obligations to the private sector	1,023	921	1,004	940
Obligations to Canada	263	420	592	763
Equity of Canada	202	200	207	163
Cash from Canada in the period				
— budgetary	31	78	118	18
— non-budgetary	nil	nil	26	46

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements were prepared by the management of the Federal Business Development Bank in accordance with the accounting principles generally accepted in Canada, consistently applied. The financial data contained in other sections of this annual report is consistent with the content of the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains a system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal controls is augmented by audit and inspection staff who conduct periodic reviews of different aspects of the Bank's operations. In addition, the Vice-President Inspection and the Independent Auditors have full and free access to the Audit Committee of the Bank's Board of Directors which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

These financial statements have been examined and reported upon by the Bank's independent auditors, Mr. Claude D. Henry, C.A., of Maheu Noiseux, Chartered Accountants, and Mr. Raymond J. Morcel, F.C.A., of Price Waterhouse, Chartered Accountants.

GUY A. LAVIGUEUR
President

AUDITORS' REPORT

THE HONOURABLE MINISTER OF REGIONAL INDUSTRIAL EXPANSION
THE HONOURABLE MINISTER OF STATE SMALL BUSINESSES

We have examined the balance sheet of the Federal Business Development Bank as at March 31, 1985 and the statements of operations, deficit and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Bank as at March 31, 1985 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements were, in all significant respects, in accordance with Part XII of the Financial Administration Act and regulations, the Federal Business Development Bank Act and the by-laws of the Corporation.

RAYMOND J. MORCEL, F.C.A.
of Price Waterhouse

CLAUDE D. HENRY, C.A.
of Maheu Noiseux

Montreal, June 5, 1985

BALANCE SHEET AS AT MARCH 31, 1985
(in thousands of dollars)

ASSETS	1985	1984
Cash	504	418
Treasury bills	41,523	51,270
	42,027	51,688
Securities issued by Canada	40,495	40,690
Loans	1,560,019	1,626,727
Venture capital investments (Note 4)	34,640	34,567
Interest due and accrued	29,302	35,776
	1,623,961	1,697,070
Less: accumulated provision for losses (Note 5)	157,737	195,190
	1,466,224	1,501,880
Fixed assets, less accumulated depreciation	5,130	7,410
Unamortized debt issue expenses	3,371	5,509
Other assets	8,838	8,696
	1,566,085	1,615,873

LIABILITIES	1985	1984
Cheques outstanding	16,393	7,139
Short term notes	318,889	99,926
Accrued interest on short and long-term notes	49,787	58,521
Other liabilities	12,245	9,561
	397,314	175,147
Notes held by Canada (Note 6)	263,000	420,000
Notes payable, other than to Canada (Note 7)	703,708	820,968
	1,364,022	1,416,115
CAPITAL		
Capital paid in by Canada (Note 8)	456,600	449,600
Deficit	(254,537)	(249,842)
	202,063	199,758
	1,566,085	1,615,873

Contingent Liabilities (Note 9)

Approved by the Board:

H. H. MACKAY
Director

GUY A. LAVIGUEUR
Director

FINANCIAL SERVICES

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1985	1984
Interest Income		
Loans	213,000	239,067
Venture capital investments	4,817	2,866
	217,817	241,933
Interest Expense		
Long-term notes	127,818	155,797
Short-term notes	17,027	8,847
	144,845	164,644
Net interest income	72,972	77,289
Provision for losses on loans, guarantees and venture capital investments	17,052	73,557
Net interest income after provision for losses	55,920	3,732
Non-Interest Expenses		
Salaries and staff benefits	34,785	46,236
Premises and equipment, including depreciation	8,858	10,078
Other expenses	13,243	13,812
	56,886	70,126
Charged to Management Services	1,898	2,116
Net non-interest expenses	54,988	68,010
Income (loss) before extraordinary item	932	(64,278)
Extraordinary item (Note 3)	(5,627)	
Net loss for the year	4,695	64,278

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1985	1984
Deficit, beginning of year	249,842	185,564
Net loss for the year	4,695	64,278
Deficit, end of year	254,537	249,842

STATEMENT OF CHANGES IN CASH POSITION
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1985	1984
Source of cash		
Loans from sources other than Canada	50,000	
Net increase in short-term notes	218,963	5,483
Capital paid in by Canada	7,000	56,600
Repayments by borrowers and investees	355,782	423,463
Sale of securities		10,427
Other	1,613	5,451
	633,358	501,424
Income (loss) before extraordinary item	932	(64,278)
Items not requiring an outlay of cash		
Provision for losses	17,052	73,557
Depreciation	1,727	1,721
Amortization of debt issue expenses	2,948	3,728
Net changes in accrued interest	(2,260)	(4,450)
Cash flow from operations	20,399	10,278
	653,757	511,702
Use of cash		
Disbursements to borrowers and investees	347,602	249,408
Repayment of maturing notes	324,260	260,312
Debt issue expenses	810	
	672,672	509,720
Increase (decrease) in cash and Treasury bills, net of cheques outstanding	(18,915)	1,982

MANAGEMENT SERVICES

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1985	1984
Salaries and staff benefits	11,123	9,532
Premises and equipment	4,140	3,263
Training and information service publications	1,245	937
CASE counselling fees	2,829	2,731
Other expenses	7,178	6,045
	26,515	22,508
Charged by Financial Services	1,898	2,116
Total expenditures	28,413	24,624
Less: revenue from CASE counselling, training seminar registration and other activities	4,305	3,342
Amount recovered from the Department of Regional Industrial Expansion Vote 50 (Vote 65 in 1984)	24,108	21,282
Total expenditures were incurred as follows		
Management Counselling	7,162	6,696
Management Training	4,439	4,900
Information Services	10,064	7,084
Administration	3,475	2,877
Capital expenditures	1,375	951
	26,515	22,508
Charged by Financial Services	1,898	2,116
	28,413	24,624

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. Objectives and operations of the Corporation

Federal Business Development Bank is a Crown corporation wholly-owned by the Government of Canada, which was established December 20, 1974 by the Federal Business Development Bank Act, as the successor to the Industrial Development Bank which commenced operations in 1944.

The objectives of the Bank, as stated in the Act, are to promote and assist in the establishment of business enterprises in Canada by providing financial assistance, management counselling, management training, information and advice; giving particular consideration to the needs of small business enterprises.

The Bank's lending and investment banking operations are carried out by Financial Services. Management Services includes counselling, training and information services. A separate statement of operations is shown for Management Services since it is funded directly by Parliamentary appropriation.

Federal Business Development Bank is for all purposes of its Act an agent of the Government of Canada, and as such all liabilities of the Corporation are direct obligations of the Government of Canada.

The Bank is exempt from income taxes.

2. Significant accounting policies

Loans and venture capital investments

Loans and venture capital investments are recorded at principal amounts.

Provision for losses on loans, guarantees and venture capital investments

A charge against income is made to adjust the accumulated provision for losses to the level which provides for specifically identified probable losses on loans, guarantees and venture capital investments, as well as a general provision for unidentified losses. The general portion of the accumulated provision is intended to cover losses on loans, guarantees and venture capital investments which have not yet been specifically identified.

Revenue recognition

Interest on loans is recorded as income on an accrual basis except that interest is not accrued on loans where management believes that the interest will not be recovered. Dividends, interest and capital gains on venture capital investments are recorded as income when received.

Securities issued by Canada

Securities are carried at amortized value.

Fixed assets and depreciation

Fixed assets are recorded at cost.

Depreciation is charged against income using the straight-line or diminishing balance methods in amounts sufficient to amortize the cost of fixed assets over their estimated useful lives.

With respect to the Management Services function of the Bank, all capital expenditures are recovered from the Department of Regional Industrial Expansion and hence are not capitalized.

Debt issue expenses

Discounts, premiums and expenses related to the issue of the long-term debt are amortized on a straight-line basis over the term of the obligations to which they pertain and charged to interest expense.

Translation of foreign currencies

Notes payable in foreign currencies are hedged by forward exchange contracts and are translated into Canadian dollars at the rates provided therein. The difference between the ultimate amount payable at the contracted rate and the cash proceeds of the issue is considered to be a financing cost and is therefore amortized by a charge to interest expense over the life of the obligation on a straight-line basis. The unamortized portion of these costs is included with unamortized debt issue expenses in the balance sheet. The related interest payable on these note issues is also hedged by forward exchange contracts and is translated into Canadian dollars at such contract rates.

Interest rate futures

Interest rate futures transactions are undertaken with the intention of reducing the impact of interest rate fluctuations. Realized gains and losses on closed contracts are amortized on a straight-line basis over the periods to which they relate. Unamortized gains and losses are recorded in other assets in the balance sheet.

3. Extraordinary item

As a result of organizational realignments and cost reduction measures, $5,627,000 was incurred in connection with staff terminations, write-off of fixed assets, moving costs and the cost of carrying surplus space.

4. Venture capital investments

	1985	1984
	(in thousands of dollars)	
Shares	18,539	16,532
Shareholder advances	12,037	12,185
Participating debentures	942	4,670
Convertible debentures	3,122	1,180
	34,640	34,567

5. Accumulated provision for losses

	1985	1984
	(in thousands of dollars)	
Accumulated provision, beginning of year	195,190	174,705
Amounts written off during the year	(58,465)	(57,396)
Recovery of amounts previously written off	3,960	4,324
	140,685	121,633
Additional provision required for the year	17,052	73,557
Accumulated provision, end of year	157,737	195,190

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

6. Notes held by Canada

Maturities by fiscal year were as follows

Rate %	1986	1987	1988	Total
	(in thousands of dollars)			
8⅛-8½	34,000			34,000
9-9⅛	43,000	43,000		86,000
10-10⅛	42,000	50,000	51,000	143,000
	119,000	93,000	51,000	263,000

7. Notes payable, other than to Canada

Maturities by fiscal year were as follows

Rate %	1986	1987	1988	1989	1990	1991-95	Total
	(in thousands of dollars)						
10⅛-11¾	113,000	3,000	28,000	3,000	3,000	75,000	225,000
12¼-13⅝	90,755		109,600				200,355
14-14⅝		103,453	30,000	106,400			239,853
17¾		38,500					38,500
	203,755	144,953	167,600	109,400	3,000	75,000	703,708

The above includes notes payable of U.S. $157,472,000.

The Bank has placed deposits totalling $55,000,000 in irrevocable trust agreements solely for the extinguishment of specific notes payable amounting to $60,145,000 which are due in fiscal 1986. These trust deposits are regarded as being an effective prepayment of debt and only the net amount of $5,145,000 is considered as outstanding and included in the table above.

8. Capital paid in by Canada

	1985	1984
	(in thousands of dollars)	
Capital, beginning of year	449,600	393,000
Cash paid in	7,000	56,600
Capital, end of year	456,600	449,600

9. Contingent liabilities and commitments

The Bank is contingently liable as guarantor of loans aggregating $18,903,000 against which management has made appropriate provision.

The undisbursed amount as at March 31, 1985 on loans and venture capital investments authorized aggregated $139,878,000 (1984—$90,008,000).

10. Lease commitments

Future minimum lease commitments under operating leases related to the rental of Bank premises are as follows

	(in thousands of dollars)
1986	4,617
1987	4,360
1988	3,390
1989	2,717
1990	2,314
1991-1996	14,597
	31,995

11. Pension fund

The Bank has a pension plan for its employees which is contributory and trusteed. Related costs, net of employees' contributions, are charged to earnings as paid. Based on an independent actuarial valuation as at December 31, 1984, the plan was fully funded at that date.

12. Statutory limitations on operations

In accordance with the Federal Business Development Bank Act, the Minister of Finance of Canada may, with the approval of the Governor in Council, authorize capital payments to the Bank provided that the aggregate of such payments does not exceed $475 million. The total of direct and contingent liabilities of the Bank is limited to a maximum of 12 times the amounts of its capital and deficit (or up to 15 times with the approval of the Governor in Council) and may not exceed $3.2 billion. The ratio of the direct and contingent liabilities of the Bank to its capital, as defined, was 7.1:1 as at March 31, 1985.

13. Investment Banking Division

Included within the statement of operations for Financial Services are the results of the Investment Banking Division which are segregated below. Within the capital of the Bank as at March 31, 1984 and 1985 was an amount of $35.6 million provided by the Government of Canada to fund the venture capital investment portfolio.

RESULTS OF INVESTMENT BANKING DIVISION
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1985	1984
Income from venture capital investments	4,817	2,866
Reduction (addition) of provision required for losses on venture capital investments	437	(1,079)
Income after provision for losses	5,254	1,787
Non-Interest Expenses		
Salaries and staff benefits	1,032	1,797
Other expenses	1,110	975
Net income (loss) for the year	3,112	(985)

14. Comparative financial data

Certain amounts pertaining to the fiscal year ended March 31, 1984 have been reclassified to comply with the presentation adopted for the fiscal year ended March 31, 1985.

SUMMARY PAGE

FRESHWATER FISH MARKETING CORPORATION

MANDATE

To regulate interprovincial and export trade in freshwater fish.

BACKGROUND

The corporation's Act gives it a monopoly over inter-provincial and export trade in freshwater fish originating in the Northwest Territories, the three prairie provinces and part of northern Ontario. The objectives of the corporation are (a) market fish in an orderly manner; (b) increase returns to fishermen; and (c) promote international markets for and increase inter-provincial and export trade in fish. The Act also requires the corporation to conduct its operations on a self-sustaining financial basis without appropriations.

CORPORATION DATA

HEAD OFFICE	1199 Plessis Road Winnipeg, Manitoba R2C 3L4
STATUS	— Schedule C, Part I —an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable John Fraser, P.C., Q.C., M.P.
DEPARTMENT	Fisheries and Oceans
DATE AND MEANS OF INCORPORATION	Established in 1968 by the *Freshwater Fish Marketing Act* (R.S.C. 1970, C. F-13)
CHIEF EXECUTIVE OFFICER	J.T. Dunn
CHAIRMAN	Donald D. Tansley
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends April 30.

	1984-85	**1983-84**	**1982-83**	**1981-82**
At the end of the period				
Total Assets	25.0	19.5	23.3	24.2
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	13.3	9.8	18.1	14.8
Equity of Canada	1.6	1.3	1.1	1.0
Cash from Canada in the period				
— budgetary	nil	nil	nil	nil
— non-budgetary	3.5	(8.3)	3.3	0.4

FRESHWATER FISH MARKETING CORPORATION

AUDITOR'S REPORT

THE HONOURABLE JOHN A. FRASER, P.C., Q.C., M.P.
MINISTER OF FISHERIES AND OCEANS

I have examined the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 1985 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at April 30, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Freshwater Fish Marketing Act and by-laws of the Corporation.

D. LARRY MEYERS, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 19, 1985

BALANCE SHEET AS AT APRIL 30, 1985

ASSETS	1985	1984
	$	$
Current		
Accounts receivable		
Trade	4,338,544	5,264,374
Contributions (Note 3)	136,878	225,000
Other	954,024	851,220
Inventory		
Finished fish products	11,724,446	5,702,542
Packaging material and parts	928,532	1,032,787
Prepaid expenses	65,406	70,831
	18,147,830	13,146,754
Property, plant and equipment (Note 4)	6,807,631	6,316,909
	24,955,461	19,463,663

LIABILITIES	1985	1984
	$	$
Current		
Bank indebtedness	254,086	128,426
Accounts payable	2,175,503	2,060,636
Accrued interest payable	305,972	276,496
Working capital loans from Canada (Note 5)	9,787,000	5,750,000
Current portion of capital loans from Canada (Note 5)	883,046	530,043
Provision for final payments to fishermen	7,328,638	5,885,943
	20,734,245	14,631,544
Long-term		
Mortgages payable	9,000	25,098
Capital loans from Canada (Note 5)	2,627,159	3,510,205
	2,636,159	3,535,303
	23,370,404	18,166,847
EQUITY		
Retained earnings	1,585,057	1,296,816
	24,955,461	19,463,663

Approved by the Board:

D. M. CAUVIN
Director

R. E. ENGLAND
Director

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED APRIL 30, 1985

	1985	1984
	$	$
Sales	42,005,955	44,696,689
Expenses		
Cost of sales	31,075,952	34,777,050
Interest (Note 6)	1,102,311	1,241,129
Salaries and employee benefits	1,010,944	1,069,548
Depreciation and amortization	757,620	650,422
Bad debts	121,962	242,194
Other	586,146	570,066
	34,654,935	38,550,409
Income before provision for final payments to fishermen and extraordinary item	7,351,020	6,146,280
Provision for final payments to fishermen	7,328,638	5,911,219
Income before extraordinary item	22,382	235,061
Extraordinary item (Note 7)	265,859	
Net income for the year	288,241	235,061
Retained earnings at beginning of the year	1,296,816	1,061,755
Retained earnings at end of the year	1,585,057	1,296,816

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED APRIL 30, 1985

	1985	1984
	$	$
Source of funds		
Operations		
Income before extraordinary item	22,382	235,061
Depreciation and amortization not requiring an outlay of funds	757,620	650,422
Extraordinary item	265,859	
	1,045,861	885,483
Mortgage funds obtained		25,098
	1,045,861	910,581
Application of funds		
Mortgage retirement	16,098	
Additions to property, plant and equipment	1,248,342	528,760
Decrease in capital loans from Canada	883,046	530,043
	2,147,486	1,058,803
Increase in working capital deficiency	1,101,625	148,222
Working capital deficiency at beginning of the year	1,484,790	1,336,568
Working capital deficiency at end of the year	2,586,415	1,484,790

NOTES TO FINANCIAL STATEMENTS APRIL 30, 1985

1. Objectives and operations

The Corporation was established by the Freshwater Fish Marketing Act in 1969, as a corporation without share capital, for the purpose of marketing and trading in fish, fish products and fish by-products in and out of Canada. The Corporation is an agent Crown corporation named in Part I of Schedule C to the Financial Administration Act and is required to conduct its operations on a self-sustaining basis. Total loans outstanding from Canada and from banks may not exceed $30 million.

The Corporation has the exclusive right to market the products of the commercial fishery in the provinces participating in the program in inter-provincial and export trade. Participation of the provinces of Manitoba, Saskatchewan, Alberta and Ontario and the Northwest Territories was established by agreement with the Government of Canada.

2. Significant accounting policies

Inventories

Finished fish products are valued at the lower of cost and net realizable value. Packaging material and parts are valued at the lower of cost and replacement cost.

Depreciation and amortization

Depreciation is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	—Lake stations	Straight-line	10%
	—Plant	Straight-line	2 ½%
Equipment	—Machinery and office equipment	Declining balance	10-25%
	—Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Packer vessel		Straight-line	6 ⅔%

Leasehold improvements are amortized on a straight-line basis over the term of the lease. Lease terms vary in length up to 20 years.

Payments to fishermen

The Corporation purchases fish at initial prices established by the Board of Directors and the cost of such purchases is included in the cost of sales. A guide used in the determination of the initial price is 80% of the projected total payments to fishermen (initial plus final), based upon forecasts prepared by the Corporation. Final payments, if any, to fishermen are determined by the Board after the end of the year, based on the results of operations for the year. The final payments are made in respect of products purchased during the year and therefore are charged to operations of the current year.

Foreign currency translation

Accounts receivable and payable denominated in foreign currency are translated into Canadian dollars at the year-end exchange rate. Transactions in foreign currency during the year are translated at the rate in effect at the time of the transaction. Translation gains and losses are included in interest expense.

Contributions

Contributions received in respect of property, plant and equipment are credited to the cost of the assets; those received in respect of the market research study program are credited to accounts payable and reduced as funds are expended, and those in respect of the plant productivity study are credited against cost of sales.

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1985—*Concluded*

3. Contributions

The Corporation has received contributions toward the costs of property, plant and equipment, and other programs funded by a number of departments and agencies of the Federal and Provincial Governments, which are summarized as follows:

	Property, plant and equipment	Plant productivity enhancement study	Market research development
	$	$	$
Government of Canada			
Department of Fisheries and Oceans	409,737		
Canada Employment and Immigration Commission	197,809		
Department of Regional Industrial Expansion	194,215	77,638	
Department of External Affairs			114,846
Province of Manitoba			
Special Agricultural Rural Development Act	154,167		
Northwest Territories			
Special Agricultural Rural Development Act	187,379		
Province of Ontario			
Department of Natural Resources			8,110
	1,143,307	77,638	122,956

4. Property, plant and equipment

	1985			1984
	Cost	Accumulated depreciation and amortization	Net	Net
	$	$	$	$
Land	330,587		330,587	332,060
Buildings	5,205,379	1,784,456	3,420,923	3,555,001
Equipment	5,263,541	3,460,955	1,802,586	1,299,042
Fresh fish delivery tubs	1,321,961	769,892	552,069	744,457
Packer vessel	363,794	282,361	81,433	96,945
Leasehold improvements	420,904	339,809	81,095	96,061
Construction in progress	538,938		538,938	193,343
	13,445,104	6,637,473	6,807,631	6,316,909

5. Loans from Canada

These loans are secured by promissory notes and are made under Section 17 of the Act. At April 30, 1985 the outstanding amounts were as follows:

	Interest Rate	Amount
	%	$
Working capital loans	9½	1,000,000
	9⅜	1,787,000
	10	1,500,000
	10⅜	3,000,000
	11½	2,500,000
		9,787,000
Capital loans	8¼	610,975
	10⅛	300,000
	10⅞	1,191,122
	14	408,108
	15⅜	450,000
	15⅝	550,000
		3,510,205
Less: current portion		883,046
		2,627,159

Working capital loans are repayable on demand and capital loans are repaid in amounts equal to the sum of the annual provision for depreciation and amortization on property, plant and equipment and proceeds derived from disposals thereof.

6. Interest expense

	1985	1984
	$	$
Interest on loans from Canada		
Working capital	833,847	938,213
Capital	425,883	474,112
	1,259,730	1,412,325
Gain on foreign exchange	(146,928)	(121,103)
Interest income (net)	(10,491)	(50,093)
	1,102,311	1,241,129

7. Extraordinary item

During the year the Corporation experienced a fire loss at Simpson Island, N.W.T. The insurance proceeds exceeded the net book value of the property destroyed by $265,859.

8. Income taxes

The Corporation is eligible to deduct for tax purposes, a 3% inventory allowance and a portion of its eligible capital cost allowance and accordingly, has no taxable income for the year. At April 30, 1985, the excess of undepreciated capital cost over net book value of property, plant and equipment amounted to $4,446,049 (1984—$4,349,509) which can be used to reduce future years' taxable income.

9. Remuneration to foreign agents

During the year, the Corporation paid an aggregate amount of $668,228 (1984—$767,630) to the following foreign sales agents: L.H. Frohman & Sons, Juhl Brokerage Incorporated, Bill Bush & Associates, R.M. Sloan Co., Mile Hi Country Sales Co., Sahakian & Salm, Benolken Brokerage, International Pacific Seafoods, Inc., 4 J's Foodservices Sales—U.S.; I. LeGrand H. Malo et Cie—France; Lejos Oy—Finland; A.B.P. Jorgensen—Sweden; Rud Kanzow GmbH & Co.—Germany.

AUDITOR'S REPORT

THE HONOURABLE HERB BREAU, P.C., M.P.
MINISTER OF FISHERIES AND OCEANS

I have examined the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 1984 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Corporation as at April 30, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
July 20, 1984

BALANCE SHEET AS AT APRIL 30, 1984

ASSETS	1984	1983
	$	$
Current		
Accounts receivable		
Trade	5,264,374	4,062,838
Costs recoverable (Note 3)		789,577
Contributions (Note 4)	225,000	
Other	851,220	939,246
Inventory		
Finished fish products	5,702,542	9,655,300
Packaging material and parts	1,032,787	1,321,593
Prepaid expenses	70,831	96,777
	13,146,754	16,865,331
Property, plant and equipment (Note 5)	6,316,909	6,438,571
	19,463,663	23,303,902

LIABILITIES	1984	1983
	$	$
Current		
Bank indebtedness	128,426	728,402
Accounts payable	2,060,636	3,007,489
Accrued interest payable	276,496	414,215
Working capital loans from Canada (Note 6)	5,750,000	13,450,000
Current portion of capital loans from Canada (Note 6)	530,043	601,793
Provision for final payments to fishermen	5,885,943	
	14,631,544	18,201,899
Long-term		
Mortgages payable	25,098	
Capital loans from Canada (Note 6)	3,510,205	4,040,248
	3,535,303	4,040,248
	18,166,847	22,242,147
EQUITY		
Retained earnings	1,296,816	1,061,755
	19,463,663	23,303,902

Approved by the Board:

R. E. ENGLAND
Director

D. D. TANSLEY
Director

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED APRIL 30, 1984

	1984	1983
	$	$
Sales	44,696,689	39,200,624
Cost of sales	34,777,050	34,611,980
Gross margin	9,919,639	4,588,644
Selling and administrative expenses		
Interest (Note 7)	1,241,129	2,085,722
Salaries and employee benefits	1,069,548	1,021,701
Depreciation and amortization	650,422	683,609
Bad debts	242,194	195,588
Other	570,066	560,264
	3,773,359	4,546,884
Income before provision for final payments to fishermen	6,146,280	41,760
Provision for final payments to fishermen	5,911,219	
Net income for the year	235,061	41,760
Retained earnings at beginning of the year	1,061,755	1,019,995
Retained earnings at end of the year	1,296,816	1,061,755

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED APRIL 30, 1984

	1984	1983
	$	$
Source of funds		
Operations		
Net income for the year	235,061	41,760
Depreciation and amortization not requiring an outlay of funds	650,422	683,609
	885,483	725,369
Mortgage funds obtained	25,098	
	910,581	725,369
Application of funds		
Additions to property, plant and equipment	528,760	246,876
Decrease in capital loans from Canada	530,043	601,793
	1,058,803	848,669
Increase in working capital deficiency	148,222	123,300
Working capital deficiency at beginning of the year	1,336,568	1,213,268
Working capital deficiency at end of the year	1,484,790	1,336,568

NOTES TO FINANCIAL STATEMENTS APRIL 30, 1984

1. Objectives and operations

The Corporation was established by the Freshwater Fish Marketing Act in 1969, as a corporation without share capital, for the purpose of marketing and trading in fish, fish products and fish by-products in and out of Canada. The Corporation is a proprietary Crown corporation named in Schedule D to the Financial Administration Act and is required to conduct its operations on a self-sustaining basis. Total loans outstanding from Canada and from banks may not exceed $20 million.

The Corporation has the exclusive right to market the products of the commercial fishery in the provinces participating in the program in inter-provincial and export trade. Participation of the provinces of Manitoba, Saskatchewan, Alberta and Ontario and the Northwest Territories was established by agreement with the Government of Canada.

2. Significant accounting policies

Inventories

Finished fish products are valued at the lower of cost and net realizable value. Packaging material and parts are valued at the lower of cost and replacement cost.

Depreciation and amortization

Depreciation is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	—Lake stations	Straight-line	10%
	—Plant	Straight-line	2 ½%
Equipment	—Plant	Declining balance	10-25%
	—Mobile	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Packer vessel		Straight-line	6 ⅔%

Leasehold improvements are amortized on a straight-line basis over the term of the lease. Lease terms vary in length up to 20 years.

Payments to fishermen

The Corporation purchases fish at initial prices established by the Board of Directors and the cost of such purchases is included in the cost of sales. A guide used in the determination of the initial price is 80% of the projected total payments to fishermen (initial plus final), based upon forecasts prepared by the Corporation. Final payments, if any, to fishermen are determined by the Board after the end of the year, based on the results of operations for the year. The final payments are made in respect of products purchased during the year and therefore are charged to operations of the current year.

Foreign currency translation

Accounts receivable and payable denominated in foreign currency are translated into Canadian dollars at the year-end exchange rate. Transactions in foreign currency during the year are translated at the rate in effect at the time of the transaction. Translation gains and losses are included in interest expense.

Contributions

Contributions received in respect of property, plant and equipment are credited to the cost of the assets and those received in respect of job creation programs are credited to accounts payable and reduced as funds are expended.

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1984—*Concluded*

3. Costs recoverable

The Corporation operates certain fish packing and processing plants which, due to their remoteness, incur excessive freight and other costs. These costs are expected to be recovered from various federal and provincial government departments upon whose support the existence of these operations depends. In the event that these costs cannot be collected from governments, the Corporation will recover these costs from the final payments to fishermen.

4. Contributions

The Corporation has received contributions toward the costs of property, plant and equipment and job creation programs from a number of departments and agencies of the Federal and Provincial Governments, which are summarized as follows:

	Job Creation Programs	Property, plant and equipment
	$	$
Government of Canada		
Department of Public Works		14,984
Canada Employment and Immigration Commission	776,232	
Department of Fisheries and Oceans	587,349	
Province of Manitoba		
Special Agricultural Rural Development Act	129,673	
Northern Job Creation Program	1,779	
Manitoba Jobs Fund Program	125,040	
Province of Saskatchewan		
Department of Parks and Renewable Resources	3,484	
Province of Ontario		
Ministry of Natural Resources	35,026	
	1,658,583	14,984

In addition to the foregoing, the Corporation received $72,980 from the Government of Canada, Department of External Affairs for a Whitefish Market Research Development Program.

5. Property, plant and equipment

	1984 Cost	1984 Accumulated depreciation and amortization	1984 Net	1983 Net
	$	$	$	$
Land	332,060		332,060	316,692
Buildings	5,155,720	1,600,719	3,555,001	3,509,929
Equipment	4,629,532	3,330,490	1,299,042	1,353,271
Fresh fish delivery tubs	1,344,334	599,877	744,457	889,213
Packer vessel	339,688	242,743	96,945	98,687
Leasehold improvements	429,241	333,180	96,061	109,437
Construction in progress	193,343		193,343	161,342
	12,423,918	6,107,009	6,316,909	6,438,571

6. Loans from Canada

These loans are secured by promissory notes and are made under Section 17 of the Act. At April 30, 1984 the outstanding amounts were as follows:

	Interest Rate	
	%	$
Working capital loans	9⅞	450,000
	10⅜	3,300,000
	11⅜	2,000,000
		5,750,000
Capital loans	8¼	801,044
	9⅛	339,974
	10⅛	300,000
	10⅞	1,191,122
	14	408,108
	15⅜	450,000
	15⅝	550,000
		4,040,248
Less: current portion		530,043
		3,510,205

Working capital loans are payable on demand and capital loans are repaid in amounts equal to the sum of the annual provision for depreciation and amortization on property, plant and equipment and proceeds derived from disposals thereof.

7. Interest expense

	1984	1983
	$	$
Interest on loans from Canada		
Working capital	938,213	1,602,890
Capital	474,112	516,765
	1,412,325	2,119,655
Losses (gains) on foreign exchange	(121,103)	6,953
Interest income (net)	(50,093)	(40,886)
	1,241,129	2,085,722

8. Income taxes

The Corporation is eligible to deduct for tax purposes, a 3% inventory allowance and a portion of its eligible capital cost allowance and accordingly, has no taxable income for the year. At April 30, 1984, the excess of undepreciated capital cost over net book value of property, plant and equipment amounted to $3,002,175 (1983—$3,033,472) which can be used to reduce future years' taxable income.

9. Remuneration to foreign agents

During the year, the Corporation paid an aggregate amount of $767,630 (1983—$603,302) to the following foreign sales agents: L.H. Frohman & Sons, Juhl Brokerage Incorporated, Bill Bush & Associates, R.M. Sloan Co., Mile Hi Country Sales Co., Associated Gourment Brokers, Sahakian & Salm, Benolken Brokerage, Robert A. Smith Seafoods, International Pacific Seafoods, Inc., 4 J's Foodservices Sales—U.S.; I. LeGrand H. Malo et Cie—France; Lejos Oy—Finland; A.B.P. Jorgensen—Sweden; Rud Kanzow GmbH & Co.—Germany.

10. Subsequent event

Bill C-24, an Act to amend the Financial Administration Act in respect of Crown corporations, was passed on June 28, 1984. When this Act is proclaimed the Corporation will be rescheduled under Schedule C, Part I.

SUMMARY PAGE

GREAT LAKES PILOTAGE AUTHORITY, LTD.

MANDATE

To establish, operate, maintain and administer in the interests of safety, an efficient pilotage service in designated Canadian waters in the Great Lakes area and in and around Ontario and in designated waters in Manitoba, and in the St. Lawrence River, south of the St. Lambert Lock in Quebec.

BACKGROUND

Established in 1972, the Authority provides pilotage services and has the power to make regulations, subject to the approval of the Governor in Council, which establish compulsory pilotage areas; prescribe the ships/classes of ships that are subject to compulsory pilotage, the circumstances under which compulsory pilotage may be waived and pilotage tariffs; and which cover the licensing of pilots and issuance of pilotage certificates. Tariffs must be fair and reasonable and sufficient to permit the Authority to operate on a self-sustaining financial basis.

CORPORATION DATA

HEAD OFFICE	132 Second Street East Cornwall, Ontario K6H 5R9
STATUS	— Schedule C, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	Established pursuant to the *Pilotage Act* (S.C. 1970-71-72, C. 52) and incorporated under the *Canada Corporations Act* in May 1972 as a subsidiary of The St. Lawrence Seaway Authority.
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	Richard G. Armstrong
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	**1983**	**1982**	**1981**
At the end of the year				
Total Assets	4.3	3.9	3.9	2.9
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	(2.2)	(1.9)	(1.4)	(2.1)
Cash from Canada for the year				
— budgetary	0.3	0.2	nil	0.6
— non-budgetary	nil	nil	nil	nil

GREAT LAKES PILOTAGE AUTHORITY, LTD.

AUDITOR'S REPORT

THE HONOURABLE DON MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of Great Lakes Pilotage Authority, Ltd. as at December 31, 1984 and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Pilotage Act and the by-laws of the Authority.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
February 1, 1985

BALANCE SHEET AS AT DECEMBER 31, 1984

ASSETS	1984	1983
	$	$
Current		
Cash and short-term deposits	2,923,996	2,502,592
Accounts receivable	1,375,157	1,400,230
	4,299,153	3,902,822
Fixed, at cost		
Buildings	63,642	63,642
Furniture and equipment	64,757	60,047
	128,399	123,689
Less: accumulated depreciation	101,284	88,595
	27,115	35,094
	4,326,268	3,937,916

LIABILITIES	1984	1983
	$	$
Current		
Accounts payable and accrued liabilities	3,096,275	2,681,782
Accrued employee termination benefits	3,454,650	3,161,414
	6,550,925	5,843,196
SHAREHOLDER'S DEFICIENCY		
Capital stock		
Authorized—Unlimited		
Issued and fully paid—15 shares	1,500	1,500
Contributed capital	82,074	82,074
Deficit	(2,308,231)	(1,988,854)
	(2,224,657)	(1,905,280)
	4,326,268	3,937,916

Approved by the Board:

RICHARD ARMSTRONG
Director

LOUIS E. BÉLAND
Director

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
	$	$
Revenues		
Pilotage charges	10,487,323	9,722,132
Miscellaneous despatching income	203,746	177,052
Interest and other income	160,419	135,319
	10,851,488	10,034,503
Expenses		
Pilots' salaries and benefits	8,487,629	7,781,729
Staff salaries and benefits	1,049,573	1,022,885
Transportation and travel	708,408	669,849
Pilot boats	478,135	418,187
Employee termination benefits	414,654	382,100
Communications	81,098	82,545
Professional and special services	50,714	44,206
Purchased despatching services	43,128	42,849
Rentals	42,261	30,418
Utilities, materials and supplies	22,366	21,191
Repairs and maintenance	15,542	15,352
Bad debts	14,280	
Depreciation	12,869	12,835
	11,420,657	10,524,146
Loss for the year	569,169	489,643

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
	$	$
Balance, beginning of the year	1,988,854	1,499,211
Parliamentary appropriation (Note 3)	(249,792)	
Loss for the year	569,169	489,643
Balance, end of the year	2,308,231	1,988,854

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
	$	$
Funds provided		
Parliamentary appropriation	249,792	
Funds applied		
Operations		
Loss for the year	569,169	489,643
Items not requiring an outlay of funds		
Employee termination benefits	(293,236)	(227,016)
Depreciation	(12,869)	(12,835)
	263,064	249,792
Additions to fixed assets	4,890	824
	267,954	250,616
Decrease in working capital	18,162	250,616
Working capital, beginning of the year	1,221,040	1,471,656
Working capital, end of the year	1,202,878	1,221,040

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. Authority and objectives

The Great Lakes Pilotage Authority was established on February 1, 1972 pursuant to the Pilotage Act, incorporated as a limited company on May 17, 1972, and is continued under the Canada Business Corporations Act. Pursuant to the Financial Administration Act, as amended by Bill C-24, the Authority is deemed to be a parent Crown corporation listed in Schedule C Part I thereto. The majority of shares issued by the Authority are held by The St. Lawrence Seaway Authority, also a parent Crown corporation. The balance is held by the Authority's Chairman and six members appointed by the Governor in Council.

The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act provides that the pilotage tariffs shall be fair, reasonable and sufficient and together with any revenue from other sources, shall permit the Authority to operate on a self-sustaining financial basis.

The Authority is not subject to any income taxes.

2. Significant accounting policies

Parliamentary appropriations

When revenues are not sufficient to permit the Authority to operate on a self-sustaining financial basis, cash operating losses are recovered from parliamentary appropriations. These appropriations are recorded in the accounts when approved by Parliament and are reflected in the statement of deficit.

Parliamentary appropriations to finance capital expenditures are recorded as contributed capital.

Depreciation

Depreciation of fixed assets is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Furniture and equipment	5 to 10 years

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid, generally over the remaining years of service of the employees.

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

3. Parliamentary appropriation

The parliamentary appropriation of $249,792 reflected in the statement of deficit appeared in Supplementary Estimates "C" 1983-84 and represents funding of the 1983 cash operating loss. Treasury Board has approved an application seeking authority to include an item in Supplementary Estimates "C" 1984-85 for the 1984 cash operating loss.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

4. Pension plan

Under provisions of the Pilotage Act, pilots who choose to become employees of the Authority are entitled to count service prior to becoming an employee as pensionable under the Public Service Superannuation Act. For pilots who have elected to purchase pension benefits with respect to past service, the Authority is required to match the employee contribution. The estimated unfunded past service pension contribution with respect to these employees was approximately $460,000 as of December 31, 1984 (1983 — $480,000) and will be funded over the remaining years of service of the pilots, or the terms of purchase, whichever is the lesser.

In 1984, the pension expense was $581,763 (1983 — $570,177) including $68,968 (1983 — $72,983) for past service contributions.

5. Commitment

The Authority has entered into a long-term lease for the rental of office space. The minimum annual rental payments which will be paid over the life of the lease are as follows:

	$
1985	30,460
1986	32,140
1987	33,820
1988	35,500
1989	2,970
	134,890

SUMMARY PAGE

HALIFAX PORT CORPORATION

MANDATE

Administration, management and control of the Halifax harbour and all works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

The Halifax Port Corporation was established on June 1, 1984 pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. Total cargo handled by the port in 1984 amounted to 14.3 million tonnes including 2 million tonnes of containerized cargo.

CORPORATION DATA

HEAD OFFICE	P.O. Box 336 Ocean Terminal Halifax, Nova Scotia B3J 2P6
STATUS	— Schedule C, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	June 1, 1984; letters patent of incorporation issued by the Minister of Transport pursuant to subsection 6.2(1) of the *Canada Ports Corporation Act.*
CHIEF EXECUTIVE OFFICER	David F. Bellefontaine
CHAIRMAN	Raymond V. Beck
AUDITOR	Doane, Raymond

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	Seven months* to Dec. 31, 1984
At the end of the period:	
Total Assets	58.3
Obligations to the private sector	nil
Obligations to Canada	30.6
Equity of Canada	22.2
Cash from Canada in the period	
— budgetary	0.6
— non-budgetary	nil

* The corporation began operations on June 1, 1984.

HALIFAX PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DONALD MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of the Halifax Port Corporation as at December 31, 1984, and the statements of income and deficit and changes in financial position for the seven month period then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984, and the results of its operations and the changes in its financial position for the seven month period then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

DOANE RAYMOND
Chartered Accountants

Halifax, Canada
January 31, 1985

BALANCE SHEET AS AT DECEMBER 31, 1984

ASSETS	1984
	$
Current	
Cash	238,978
Investments (Note 3)	11,683,144
Accounts receivable	2,315,218
Due from Canada	238,502
Materials and supplies	85,416
	14,561,258
Investments (Note 3)	32,985
Amounts receivable	268,499
Fixed (Note 4)	43,397,035
	58,259,777

LIABILITIES	1984
	$
Current	
Accounts payable and accrued liabilities	4,129,316
Grants in lieu of municipal taxes	184,634
Deferred revenues	541,879
	4,855,829
Accrued employee benefits	693,154
Loans from Canada (Note 5)	30,556,933
	36,105,916
EQUITY	
Contributed capital	72,136,346
Deficit	(49,982,485)
	22,153,861
	58,259,777

Commitments (Note 6)

On behalf of the Board:

R. V. BECK
Chairman of the Board

D. F. BELLEFONTAINE
General Manager and Chief Executive Officer

STATEMENT OF INCOME AND DEFICIT
SEVEN MONTHS ENDED DECEMBER 31, 1984

	1984
	$
Revenue from operations	6,959,101
Operating and administrative expenses	5,129,113
Depreciation	906,107
Grants in lieu of municipal taxes	524,400
	6,559,620
Income from operations	399,481
Other income	718,247
Net income	1,117,728
Deficit assumed	(51,100,213)
Deficit, end of period	(49,982,485)

STATEMENT OF CHANGES IN FINANCIAL POSITION
SEVEN MONTHS ENDED DECEMBER 31, 1984

	1984
	$
Working capital derived from	
Operations	
Net income	1,117,728
Depreciation	906,107
Loss on disposal of fixed assets	15,619
	2,039,454
Capital grants	600,408
Proceeds on disposal of fixed assets	9,987
	2,649,849
Working capital applied to	
Additions to fixed assets	4,825,739
Other	93,617
	4,919,356
Decrease in working capital	(2,269,507)
Working capital assumed	11,974,936
Working capital, end of period	9,705,429

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. In accordance with the Canada Ports Corporation Act, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

   In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation—Port of Halifax to the Halifax Port Corporation.

2. Significant accounting policies

   (a) Investments

   The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

   (b) Fixed assets

   Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada from third parties are deducted from the cost of the related fixed assets.

   Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

   (c) Pension costs

   All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

   (d) Insurance

   Canada Ports Corporation assumes substantially all risks against fire and general perils, as well as workers compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

   (e) Grants in lieu of municipal taxes

   The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

   (f) Employee benefits

   The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

3. Investments

	Amortized Cost	Face Value
	$	$
Short-term	11,683,144	12,089,900
	Amortized Cost	Market Value
Long-term	32,985	30,380

4. Fixed assets

	Depreciation Rates	Cost	Accumulated Depreciation	Net
	%	$	$	$
Land		18,024,654		18,024,654
Dredging	2.5-6.7	2,596,947	2,147,840	449,107
Berthing structures	2.5-10	24,230,941	16,070,560	8,160,381
Buildings	2.5-10	17,210,957	11,079,540	6,131,417
Utilities	3.3-10	2,939,557	1,444,172	1,495,385
Roads and surfaces	2.5-10	5,381,534	2,554,277	2,827,257
Machinery and equipment	5-100	8,711,720	7,149,424	1,562,296
Office furniture and equipment	20	319,694	152,359	167,335
Projects under construction		4,579,203		4,579,203
		83,995,207	40,598,172	43,397,035

During the seven month period ended December 31, 1984, the Port has recorded in its accounts capital grants towards construction of capital projects totalling $600,408.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

5. Loans from Canada

	$
Non-interest bearing loans with indefinite due date	25,555,762
Accrued interest on loans	5,001,171
	30,556,933

The loans from Canada are unsecured.

6. Commitments

Funds have been committed on capital projects as at December 31, 1984 in the amount of $9,390,801. The full amount is expected to be spent during 1985.

SUMMARY PAGE

HARBOURFRONT CORPORATION

MANDATE

Operate, manage, maintain and develop the Toronto Harbourfront lands for the benefit of the public.

BACKGROUND

Acquired by Canada in 1973, the corporation has developed public places on Toronto's waterfront and promotes in them multicultural and recreational activities which foster links with the neighborhood's residential and commercial areas.

CORPORATION DATA

HEAD OFFICE	Suite 500 417 Queen's Quay West Toronto, Ontario M5V 1A2
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Roch La Salle, P.C., M.P.
DEPARTMENT	Public Works
DATE AND MEANS OF INCORPORATION	Terminal Warehouses Ltd, June 16, 1936 under Ontario *Companies Act;* as Harbourfront Corporation July 14, 1978 under *Business Corporations Act* of Ontario. Continued under *Canada Business Corporations Act* December 21, 1984.
CHIEF EXECUTIVE OFFICER	Howard E. Cohen
CHAIRMAN	Benson Orenstein
AUDITOR	Green and Cadsby

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**	**1982-83**	**1981-82**
At the end of the period				
Total Assets	18.3	9.8	5.9	1.8
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	(4.1)	nil	nil	nil
Equity of Canada	0.2	0.5	1.4	negl.
Cash from Canada in the period				
— budgetary	20.9	14.0	8.5	5.5
— non-budgetary	nil	nil	nil	nil

HARBOURFRONT CORPORATION

AUDITORS' REPORT

THE HONOURABLE ROCH LASALLE, P.C., M.P.
MINISTER OF PUBLIC WORKS

We have examined the balance sheet of Harbourfront Corporation as at March 31, 1985 and the statements of Receipts and Expenditures and Retained Equity, Capital Improvements Fund and Special Recovery Capital Projects Programme Fund for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Further, in our opinion, except as described in the following paragraph, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Business Corporations Act and the articles and by-laws of the Corporation.

On September 1, 1984, the Government proclaimed amendments to the Financial Administration Act which, inter alia, require that the Corporation prepare its financial statements in accordance with generally accepted accounting principles. Note 2 describes the accounting policies relating to fixed assets. The note indicates that fixed assets acquired by the Corporation are not capitalized and depreciated over their useful life. In these respects the financial statements are not in accordance with generally accepted accounting principles as required under section 138(4) of the Financial Administration Act. However, as noted in Note 2, the Corporation is committed to cause financial statements to be prepared in accordance with generally accepted accounting principles for the March 31, 1986 fiscal year.

GREEN AND CADSBY
Chartered Accountants

Toronto, Canada
June 21, 1985

BALANCE SHEET MARCH 31, 1985

ASSETS	1985	1984
	$	$
Current		
Cash and term deposits	5,912,413	7,031,572
Contribution receivable—Government of Canada	6,514,000	
Grants receivable		213,136
Accounts receivable	863,965	375,763
Interest receivable	288,540	1,293,549
Sundry assets and deposits	843,916	861,847
	14,422,834	9,775,867
Deposit with Receiver General	3,841,370	
Fixed (Note 2)	1	1
	18,264,205	9,775,868

LIABILITIES	1985	1984
	$	$
Current		
Accounts payable and accrued expenses	3,497,753	1,809,493
Due on land purchase	800,000	
Site improvement advance and unearned revenue	954,495	308,520
Due to Harbourfront Capital Account Fund (Note 3a)	2,454,875	2,981,837
	7,707,123	5,099,850
Fund balances		
Harbourfront Capital Account Fund (Note 3a)	3,841,370	
Special Recovery Capital Projects Programme Fund (Note 4)	4,959,786	2,125,366
Capital Improvements Fund (Note 5)	1,512,732	2,077,000
	10,313,888	4,202,366
SHAREHOLDER'S EQUITY		
Share capital		
Authorized		
500,000—Common shares		
Issued		
215,500—Common shares	1	1
Retained equity	243,193	473,651
	243,194	473,652
	18,264,205	9,775,868

See accompanying notes.

On behalf of the Board:

A. VIOLI
Director

B. APPEL
Director

STATEMENT OF RECEIPTS AND EXPENDITURES AND RETAINED EQUITY
FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Receipts		
Government of Canada—Contribution	347,300	786,000
Rental from revenue producing property	1,933,916	1,603,644
Concessions and other income	2,765,973	2,485,225
Events, admissions and sponsorships	2,002,687	1,221,955
Interest earned under Harbourfront Capital Account (Note 3a)	590,920	
Interest earned under development agreements (Note 3b)	1,621,746	2,370,309
	9,262,542	8,467,133
Expenditures		
Personnel (Note 6)	4,016,722	3,704,940
Property and operations	1,260,474	1,126,725
Events production	2,288,202	1,373,657
General and administration	1,927,602	1,792,940
	9,493,000	7,998,262
Excess (Deficiency) of receipts over expenditures	(230,458)	468,871
Retained equity at beginning of year	473,651	4,780
Retained equity at end of year	243,193	473,651

See accompanying notes.

STATEMENT OF SPECIAL RECOVERY CAPITAL PROJECTS PROGRAMME FUND
FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Receipts		
Government of Canada—Contribution	13,478,000	8,532,000
Other income	266,098	100,638
	13,744,098	8,632,638
Expenditures		
Parking Garage	3,328,720	4,857,950
Ice Rink	27,711	867,426
Spadina Pier	2,927,078	154,383
Queen's Quay West improvements	768,698	49,059
Water's edge	402,522	28,388
Peter Slip bridge	1,304,664	108,209
York Quay Centre improvements	1,027,814	27,966
Art Centre	731,433	33,486
Spadina Square	5,970	
	10,524,610	6,126,867
Overhead expenses	385,068	380,405
	10,909,678	6,507,272
Excess of receipts over expenditures	2,834,420	2,125,366
Fund balance at beginning of year	2,125,366	
Fund balance at end of year	4,959,786	2,125,366

See accompanying notes.

STATEMENT OF CAPITAL IMPROVEMENTS FUND
FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Receipts		
Government of Canada—Contribution	6,286,700	4,657,000
Government of Canada—Land purchase contribution	800,000	
	7,086,700	4,657,000
Expenditures		
Site improvements	4,777,628	2,915,542
Land acquisition	2,873,340	1,084,082
	7,650,968	3,999,624
Excess (Deficiency) of receipts over expenditures	(564,268)	657,376
Fund balance at beginning of year	2,077,000	1,419,624
Fund balance at end of year	1,512,732	2,077,000

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. General

The Company, incorporated under the Laws of Ontario, was continued under Section 181 of the Canada Business Corporations Act by Certificate of Continuance dated December 21, 1984.

The Company is a Crown corporation listed under Part I of Schedule C of the Financial Administration Act. Share capital is held by Her Majesty the Queen in Right of Canada as represented by the Minister of Public Works.

Pursuant to an agreement dated June 13, 1980 as subsequently amended, Her Majesty the Queen in Right of Canada, has granted the Corporation the right to operate, manage, maintain and develop certain lands and buildings situated on the Toronto harbourfront for the benefit of the Public. This agreement expires on June 12, 1987, at which time Her Majesty the Queen in Right of Canada will assume the obligations of the Corporation.

2. Accounting policies

The accounting policies of the Corporation are in accordance with generally accepted accounting principles except that fixed assets acquired by the Corporation are not capitalized and depreciated over their useful life. On September 1, 1984, the Government proclaimed amendments to the Financial Administration Act which, inter alia, require that the Corporation prepare its financial statements in accordance with generally accepted accounting principles. The Corporation is committed to capitalize fixed assets commencing with the March 31, 1986 fiscal year.

(a) The land is owned by Her Majesty the Queen in Right of Canada, and consequently, is not reflected in the balance sheet. Other fixed assets and chattels were transferred to the Corporation by Order in Council for $1. The cost of maintaining these assets and new acquisitions is recorded as expenditures in the year incurred.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

(b) The Corporation has entered into various equipment capital lease agreements that are being treated as operating leases. The contractual principal repayments under the leases are as follows:

Year ending March 31	$
1986	119,414
1987	119,220
1988	102,798
1989	38,089
1990	25,891
	405,412

3. Site development

(a) Capital receipts and "Harbourfront Capital Account"

Funds received on account of development rights are remitted to the Harbourfront Capital Account, an interest bearing trust account within the Consolidated Revenue Fund of the Government of Canada.

The unpaid capital amounts are not recorded in these financial statements. Such funds, when received, will be remitted to the Harbourfront Capital Account.

Interest earned by the Corporation from the investment of monies held in the Capital Account is revenue of the Corporation.

As of March 31, 1985, the Corporation had paid $3,841,370 into the Capital Account. In addition, further capital amounting to $2,454,875 received on account of development rights, was due to the Capital Fund.

The Corporation may, with the approval of the Governor in Council upon recommendation of the Treasury Board, withdraw amounts of principal remitted to the Harbourfront Capital Account for purposes consistent with the development and financial objectives of the Corporation.

(b) Interest income under development agreements

Interest earned on unpaid capital amounts due under development agreements is part of the operating revenues of the Corporation.

4. Special Recovery Capital Projects Programme Fund

"SRCPP" funding is for specific projects. The balance in this fund is reserved for the completion of the approved projects.

5. Capital Improvements Fund

Contributions from Public Works Canada are received in instalments based on projected expenditures. The balance of unused funds received on account of the capital expenditure budget is carried forward as the "Capital Improvements Fund."

6. Personnel

Personnel costs were incurred in each operational area as follows:

	1985	1984
	$	$
Property and operations	1,159,202	1,047,930
Events production	1,796,315	1,575,663
General and administration	666,949	737,661
Planning and development	394,256	343,686
	4,016,722	3,704,940

7. Comparative figures

Certain 1984 comparative figures have been reclassified in order to conform with the Financial Statement presentation adopted for 1985.

SUMMARY PAGE

INTERNATIONAL CENTRE FOR OCEAN DEVELOPMENT

MANDATE

To initiate, encourage and support cooperation between Canada and developing countries in the field of ocean resource development.

BACKGROUND

ICOD was originally incorporated in November 1983 as a non-governmental organization, with its funding to be provided by CIDA. Following a review of its mandate and institutional structure, the government decided that it should be accountable to Parliament and made the decision to acquire it as a Crown corporation. ICOD complements the work of CIDA and IDRC and the many Canadian non-governmental organizations native to the development field, and is seen as an important new dimension in Canada's efforts to assist less fortunate nations through its long experience and expertise in marine resource management.

CORPORATION DATA

HEAD OFFICE	5670 Spring Garden Road 9th Floor P.O. 2003 Station M Halifax, Nova Scotia B3J 2Z1
STATUS	— Schedule C, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Right Honourable Joe Clark, P.C., M.P.
DEPARTMENT	External Affairs
DATE AND MEANS OF INCORPORATION	By S.C. 1984-85 C. 6, s.24; proclaimed February 27, 1985.
CHIEF EXECUTIVE OFFICER	G.C. Vernon
CHAIRMAN	C. Hanson Dowell
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85
At the end of the period	
Total Assets	negl.
Obligations to the private sector	nil
Obligations to Canada	nil
Equity of Canada	negl.
Cash from Canada in the period	
— budgetary	0.8
— non-budgetary	nil

NO FINANCIAL STATEMENTS FOR THE REPORT PERIOD COULD BE AVAILABLE FOR THIS CORPORATION SINCE IT BECAME A PARENT CROWN CORPORATION LATE IN THE PERIOD

SUMMARY PAGE

LAURENTIAN PILOTAGE AUTHORITY

MANDATE

To establish, operate, maintain and administer in the interests of safety an efficient pilotage service in the St. Lawrence River between Les Escoumins and the north end of the St. Lambert lock, in the Saguenay River and in the Bay of Chaleur.

BACKGROUND

Established in 1972, the Authority provides pilotage services and has the power to make regulations, subject to the approval of the Governor in Council, which establish compulsory pilotage areas; prescribe the ships/classes of ships that are subject to compulsory pilotage, the circumstances under which compulsory pilotage may be waived and pilotage tariffs; and which cover the licensing of pilots and issuance of pilotage certificates. Tariffs must be fair and reasonable and sufficient to permit the Authority to operate on a self-sustaining financial basis.

CORPORATION DATA

HEAD OFFICE	Room 1804 1080 Beaver Hall Hill Montreal, Quebec H2Z 1S8
STATUS	— Schedule C, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	Established pursuant to the *Pilotage Act* (S.C. 1970-71-72, C. 52) which was proclaimed to come into force on February 1, 1972.
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	Paul Bailly
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY($ million) The financial year is the calendar year.

	1984	1983	1982	1981
At the end of the year				
Total Assets	5.1	5.2	5.4	5.1
Obligations to the private sector	0.4	0.1	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	(0.1)	0.3	1.1	1.1
Cash from Canada for the year				
— budgetary	1.5	1.0	nil	nil
— non-budgetary	nil	nil	nil	nil

LAURENTIAN PILOTAGE AUTHORITY

AUDITOR'S REPORT

THE HONOURABLE DONALD FRANK MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of Laurentian Pilotage Authority as at December 31, 1984 and the statements of operations, contributed capital, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Pilotage Act and regulations and the by-laws of the Authority.

RAYMOND DUBOIS, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 11, 1985

BALANCE SHEET AS AT DECEMBER 31, 1984

ASSETS	1984	1983
	$	$
Current		
Cash	13,829	2,452
Accounts receivable	3,725,409	3,928,628
	3,739,238	3,931,080
Fixed (Note 3)		
Land, buildings, pilot boats and other facilities	2,123,104	1,937,705
Less: accumulated depreciation	794,326	707,588
	1,328,778	1,230,117
	5,068,016	5,161,197

LIABILITIES	1984	1983
	$	$
Current		
Bank loan	375,000	100,000
Accounts payable	4,143,590	4,205,845
	4,518,590	4,305,845
Provision for employee termination benefits	647,000	596,000
	5,165,590	4,901,845
EQUITY (DEFICIENCY) OF CANADA		
Contributed capital	650,175	278,128
Deficit	(747,749)	(18,776)
	(97,574)	259,352
	5,068,016	5,161,197

Approved by the Authority:

PAUL BAILLY
Chairman

YVON MATTE
Member

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
	$	$
Revenues		
Pilotage charges (Note 4)	25,523,601	23,795,763
Interest and other revenues	100,312	155,147
	25,623,913	23,950,910
Expenses		
Pilots' fees, salaries and benefits	21,529,416	19,881,571
Operating costs of pilot boats	2,743,773	2,398,199
Staff salaries and benefits	1,577,311	1,541,077
Professional services and members' allowances	437,672	239,516
Rentals	210,806	241,946
Communications	125,068	228,754
Travel	122,983	80,418
Bad debts	100,031	2,143
Utilities, material and supplies	65,871	55,071
Maintenance	40,302	43,743
Other	102,252	110,176
	27,055,485	24,822,614
Net loss before extraordinary gain	1,431,572	871,704
Extraordinary gain (Note 5)	45,529	
Net loss for the year	1,386,043	871,704

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
	$	$
Balance at beginning of the year	278,128	278,128
Parliamentary appropriation to finance the acquisition of fixed assets	372,047	
Balance at end of the year	650,175	278,128

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
	$	$
Retained earnings appropriated as a reserve for the renewal and the acquisition of major fixed assets		
Balance at beginning of the year		808,457
Release for the year		(808,457)
Balance at end of the year		
Unappropriated		
Deficit at beginning of the year	18,776	
Net loss for the year	1,386,043	871,704
Parliamentary appropriation for operations	(594,037)	
Services provided without charge by government departments	(63,033)	(44,471)
Release of reserve for the renewal and the acquisition of major fixed assets		(808,457)
Deficit at end of the year	747,749	18,776
Deficit at end of the year	747,749	18,776

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
	$	$
Sources of funds		
Parliamentary appropriation		
Operations	594,037	
Fixed assets	372,047	
	966,084	
Extraordinary gain (Note 5)	45,529	
	1,011,613	
Application of funds		
Operations		
Net loss before extraordinary gain	1,431,572	871,704
Items not requiring an outlay of funds		
Depreciation	(165,457)	(167,196)
Services provided without charge by government departments	(63,033)	(44,471)
Increase in the provision for employee termination benefits	(51,000)	(66,000)
	1,152,082	594,037
Net acquisition of fixed assets	264,118	372,047
	1,416,200	966,084
Decrease in working capital	404,587	966,084
Working capital (deficiency) at beginning of the year	(374,765)	591,319
Working capital deficiency at end of the year	779,352	374,765

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. Authority and activities

The Laurentian Pilotage Authority was established on February 1, 1972 under the Pilotage Act. Its objectives are to establish, operate, maintain and administer in the interests of safety an efficient pilotage service within certain designated Canadian waters in and around the Province of Quebec. The Act provides that pilotage tariffs shall be fair and reasonable and assure a revenue which, together with any revenue from other sources, is sufficient to permit the Authority to operate on a self-sustaining basis.

The Authority is a Crown corporation named in Part I of Schedule C to the Financial Administration Act.

2. Significant accounting policies

Fixed assets

Fixed assets obtained from Canada when the Authority was established were recorded at the then assigned values. Purchases of fixed assets acquired subsequently by the Authority are recorded at cost.

Fixed assets are depreciated using the straight-line method, at rates based on the estimated useful lives of the assets.

Contributed capital

The values assigned to the fixed assets obtained from Canada when the Authority was established and the net cost of fixed assets financed from parliamentary appropriations are recorded as contributed capital.

Parliamentary appropriation

Parliamentary appropriations received to finance the excess of expenditures over revenues are recorded in the year in which they are voted by Parliament, to contributed capital for that portion pertaining to the acquisition of fixed assets and to the deficit for that pertaining to operations. In this respect, operating expenditures include only those which require an outlay of funds.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

Services provided without charge

Estimated amounts for services provided without charge by government departments are included in expenses with an offset to the deficit.

Pension plan

Employees of the Authority participate in the Superannuation Plan administered by the Government of Canada. The employees and the Authority contribute equally to the cost of the Plan. This contribution represents the total liability of the Authority. Contributions in respect of current service and of admissible past service are expensed when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

Employee termination benefits

On termination of employment, employees of the Authority are entitled to certain benefits provided for under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

3. Fixed assets

Details of fixed assets are as follows:

	1984			1983
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Land	9,300		9,300	9,300
Buildings	23,622	21,663	1,959	3,636
Pilot boats	1,386,892	504,248	882,644	846,406
Furniture and fixtures	49,226	38,941	10,285	10,593
Communications equipment	204,842	108,472	96,370	93,373
Boarding facilities	208,662	87,195	121,467	118,827
Wharf improvements	169,033	33,807	135,226	143,678
Leasehold improvements	71,527		71,527	
Automobiles				4,304
	2,123,104	794,326	1,328,778	1,230,117

Depreciation for the year is $165,457 ($167,196 in 1983).

The estimated useful lives for the principal categories of fixed assets for the purposes of calculating depreciation are as follows:

Buildings	20 years
Pilot boats	10, 15 and 20 years
Furniture and fixtures	10 years
Communications equipment	10 years
Boarding facilities	10 and 20 years
Wharf improvements	20 years
Leasehold improvements	duration of the leases

4. Pilotage services related to the Tall Ships Event at Quebec City

During the year, the Authority received a parliamentary appropriation of $106,000 for the provision of pilotage services relating to the Tall Ships Event held in conjunction with the 1534-1984 festivities. Amounts received have been recorded as pilotage revenues or as reductions of expenses depending on the nature of the services provided.

5. Extraordinary gain

During the year, the Authority obtained a final judgment granting it $45,529, net of certain disbursements, as a reward for the rescue in 1983 of a ship in distress.

6. Pension plan

The estimated unrecorded liability for employees' past services is $89,900 as at December 31, 1984 ($122,300 as at December 31, 1983).

7. Contingent liability

During 1982, following a stoppage of pilotage services, a lawsuit for $235,000 was brought against the Authority. An estimate of any loss that may arise as a result of this litigation cannot be made and no provision has been recorded in the accounts.

8. Contingent gain

During 1984, one of the Authority's pilot boats responded to the rescue call of a ship in distress. The Authority has submitted a claim for a reward, the amount of which cannot be determined at this time. The Authority will account for any income that may derive from this claim, when it is received, as an extraordinary item.

9. Subsequent event

On January 31, 1985, Treasury Board approved a temporary allotment of $300,000 from its vote 5, Government Contingencies, prior to the release of supply of $1,400,000 for 1984-85 Supplementary Estimates "C", to cover the excess of expenditures over the revenue during the calendar year 1984. Any amount received therefrom by the Authority will be credited to the Equity of Canada.

SUMMARY PAGE

LOTO CANADA INC.

MANDATE

To conduct and manage a national lottery.

BACKGROUND

The corporation is inactive; legislative authority for its dissolution is in place and it is expected that Loto Canada Inc. will cease to exist during 1985.

CORPORATION DATA

HEAD OFFICE	255 Albert Street Ottawa, Ontario K1G 3Z4
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Jake Epp, P.C., M.P.
DEPARTMENT	National Health and Welfare
DATE AND MEANS OF INCORPORATION	Incorporated under the *Canada Business Corporations Act* in 1976.
CHIEF EXECUTIVE OFFICER	Hugh Mullington
CHAIRMAN	Vacant
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**	**1982-83**	**1981-82**
At the end of the period				
Total Assets	negl.	15.4	14.4	13.1
Obligations to the private sector	negl.	nil	nil	nil
Obligations to Canada	(negl.)	15.2	14.2	13.1
Equity of Canada	negl.	negl.	negl.	negl.
Cash from (to) Canada in the period				
— budgetary	(16.4)	nil	nil	nil
— non-budgetary	nil	nil	nil	nil

LOTO CANADA INC.

AUDITOR'S REPORT

THE HONOURABLE JAKE EPP, P.C., M.P.
MINISTER OF NATIONAL HEALTH AND WELFARE

I have examined the balance sheet of Loto Canada Inc. as at March 31, 1985 and the statements of income and expense and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations and the articles and by-laws of the Corporation.

RAYMOND DUBOIS, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 24, 1985, except as to
Note 2 which is as of
June 14, 1985

BALANCE SHEET AS AT MARCH 31, 1985

ASSETS	1985	1984
	$	$
Cash and short-term deposits		14,853,676
Due from Canada (Note 3)		400,314
Due from the Canadian Sports Pool Corporation		65,279
Accrued interest		57,646
Accounts receivable —Officer		6,500
		15,383,415

LIABILITIES	1985	1984
	$	$
Accounts payable		
—Labour Canada		163,957
—Other		7,978
Due (from) to Receiver General for Canada (Note 4)	(1)	15,211,479
	(1)	15,383,414
CAPITAL STOCK		
One common share authorized, issued and fully paid	1	1
		15,383,415

Approved by the Board of Directors:

H. J. MULLINGTON
Director

DAVID KIRKWOOD
Director

STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Interest income	1,010,017	1,353,707
Expense		
Professional fees	11,600	163,055
Office expenses	3,975	42,075
Travel and hospitality	2,775	73,091
Settlement of claims	1,422	210
Salaries and employee benefits		161,910
Building rental and maintenance		54,905
Telephone		20,983
Directors fees		9,750
Other		325
	19,772	526,304
Less: expenses allocated to Canada		181,449
Canadian Sports Pool Corporation		134,193
		315,642
Provision for unbilled expenses (recovery)	(385,153)	181,449
	(385,153)	134,193
	(365,381)	392,111
Net income for the year (Note 4)	1,375,398	961,596

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Source of funds		
Net income for the year	1,375,398	961,596
Recovery of amount due from Canada	400,314	
Recovery of amount due from the Canadian Sports Pool Corporation	65,279	
Receipt of accrued interest	57,646	
Recovery of accounts receivable—Officer	6,500	
Recovery of accounts receivable—Other		1,408
Decrease in prepaid expenses		8,859
Increase in accounts payable—Labour Canada		31,866
	1,905,137	1,003,729
Application of funds		
Payment of accounts payable—Labour Canada	163,957	
Payment of accounts payable—Other	7,978	9,639
Payment of amount due to Receiver General for Canada	15,211,480	
Remittance of current year's net income to Receiver General for Canada	1,375,398	
Increase in amount due from the Canadian Sports Pool Corporation		65,279
Increase in accrued interest		45,197
	16,758,813	120,115
(Decrease) increase in cash and short-term deposits	(14,853,676)	883,614
Cash and short-term deposits at beginning of the year	14,853,676	13,970,062
Cash and short-term deposits at end of the year		14,853,676

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1985

1. Termination of lottery operations

Loto Canada Inc. was incorporated under the Canada Business Corporations Act in 1976 and is a Crown corporation named in Part I of Schedule C to the Financial Administration Act. The Corporation's objective was to conduct and manage a national lottery in accordance with the National Lottery Regulations as authorized by the Criminal Code.

In August 1979, federal and provincial government representatives signed a document whereby Loto Canada Inc. would withdraw from the sale of lottery tickets effective December 31, 1979 and the Government of Canada would cause the Corporation to be wound up after that date as quickly as legal, financial and administrative requirements permit. The Shareholder directed the Board of Directors to commence the orderly wind-up of the operations effective August 21, 1979. The lottery operations were terminated effective December 31, 1979 and the right to claim prizes expired on December 31, 1980. At its July 7, 1983 meeting, the Board of Directors passed a resolution to commence immediately the final wind-up procedures of the Corporation.

2. Wind-up of Loto Canada Inc.

Bill C-2, an Act respecting the winding-up of the Canadian Sports Pool Corporation and Loto Canada Inc., passed third reading in the House of Commons on June 14, 1985. The sections relevant to Loto Canada Inc. are as follows:

> "6.(1) All rights and property held by or in the name of or in trust for Loto Canada Inc. and all obligations and liabilities of Loto Canada Inc. are deemed to be rights, property, obligations and liabilities of Her Majesty.
>
> (2) The Minister (of National Health and Welfare) may do and perform all acts and things for or incidental to procuring the dissolution and closing out of the affairs of Loto Canada Inc.
>
> 7.(1) Any action, suit or other legal proceeding in respect of an obligation or liability incurred by . . . Loto Canada Inc. or incurred by the Minister in closing out the affairs of . . . . Loto Canada Inc., may be brought or taken against Her Majesty in any court that would have had jurisdiction if the action, suit or other legal proceeding had been brought or taken against . . . Loto Canada Inc. . . .
>
> (2) Any action, suit or other legal proceeding pending in any court against . . . Loto Canada Inc. may be continued against Her Majesty to the same extent as it could, but for the coming into force of this Act, have been continued against . . . Loto Canada Inc. . . ."

Loto Canada Inc. has conducted its affairs and concluded operations on the premise that this legislation would be enacted. Accordingly, after a resolution by the shareholder, the Minister of National Health and Welfare, it has registered with the Director, Corporations Branch, Department of Consumer and Corporate Affairs a statement of Intent to Dissolve Loto Canada Inc., pursuant to Section 203 of the Canada Business Corporations Act (CBCA). A Certificate of Intent to Dissolve was issued by the Director in November 1984 but actual dissolution will take place only after the aforementioned Bill C-2 becomes law.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

3. Recoverable research and development expenses

From January 1981 to March 1984, the Corporation had financed research on gaming concepts including research and development of a sports pool scheme totalling $2,139,163. In August 1981, Cabinet decided that this sports pool scheme would be operated by a new federal agency. In January 1982 the Board of Directors of Loto Canada Inc. reconfirmed that the Corporation would continue to seek full reimbursement for monies expended on research and development of the sports pool scheme. The research on gaming concepts financed by the Corporation formed the basis of documentation leading to the passage of the Athletic Contests and Events Pools Act by Parliament on June 29, 1983, and the establishment of the Canadian Sports Pool Corporation (CSPC) with effect from October 20, 1983.

Legal opinions have been obtained with respect to the statutory powers of the Corporation to finance the research and development of a sports pool scheme. While the legal opinions obtained differ, the Corporation takes the position that this financing was a business decision within the general powers of the Corporation and in support of the intention of the federal government.

During the year, the Corporation recovered from Canada, from CSPC and from an officer, all outstanding recoverable expenses for the sports pool scheme including amounts previously unbilled.

4. Due (from) to Receiver General for Canada

	1985	1984
	$	$
Balance at beginning of the year	15,211,479	14,249,883
Net income for the year	1,375,398	961,596
	16,586,877	15,211,479
Payments during the year	16,586,878	
Balance at end of the year	(1)	15,211,479

5. Related party transactions

In November 1984, in preparation for winding-up the Corporation, the composition of the Board of Directors was changed. Only one member at that time retained his directorship. He was joined by an Assistant Secretary to the Treasury Board and the Deputy Minister of National Health and Welfare.

Two members of the present Board are also officers of the Canadian Sports Pool Corporation.

All transactions with the Government of Canada and the Canadian Sports Pool Corporation were concluded during the year.

6. Contingent liability

In 1980, certain ticket wholesalers who were operating in the Province of Ontario commenced legal proceedings against the Corporation. To date three writs have been processed and claims on two of the cases have been filed in the amount of $4,175,000 plus costs. This litigation continues to be contested and the outcome is not known at this time. Any settlement resulting from the resolution of the contingency will be accounted for in accordance with the provisions of Section 7.(2) of Bill C-2 (Note 2).

7. Services provided without charge

The Canadian Sports Pool Corporation has provided Loto Canada Inc. without charge with certain administrative services. The cost of these services is not included in the financial statements.

8. Sale of fixed assets

During the year furniture with an estimated market value of $4,400 was sold to the Terry Fox Foundation for $1.

All other fixed assets, for which a value could not be estimated, were sold to the Canadian Sports Pool Corporation for $1.

In accordance with Loto Canada Inc. accounting policy, these assets had been expensed when originally purchased.

SUMMARY PAGE

MINGAN ASSOCIATES, LTD.

MANDATE

To purchase land for eventual disposition.

BACKGROUND

Ownership of the company was purchased for Canada in 1983 to obtain the land and fishing rights it owns. Those are to be converted into (Indian) reserve property after which the company would be dissolved. First, however, a suit launched by the Province of Quebec asserting its prior rights to the land must be resolved.

CORPORATION DATA

HEAD OFFICE	10 Wellington Street 18th Floor Les Terrasses de la Chaudière Hull, P.Q. K1A 0H4
STATUS	— Schedule C, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable David Crombie, P.C., M.P.
DEPARTMENT	Indian Affairs and Northern Development
DATE AND MEANS OF INCORPORATION	Order in Council 1983-4029; a corporation under Part 1A of the Quebec *Companies Act*.
CHIEF EXECUTIVE OFFICER	Vacant
CHAIRMAN	Vacant
FINANCIAL SUMMARY	This is not an operating company. Total assets have only nominal value.

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1984
WERE NOT AVAILABLE AT DATE OF PRINTING

SUMMARY PAGE

MONTREAL PORT CORPORATION

MANDATE

Administration, management and control of the Montreal harbour and all the works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

The Montreal Port Corporation was established on July 1, 1983 pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. The Port of Montreal is the largest on the east coast of Canada and handles more diversified traffic than any of the other ports previously administered by the Canada Ports Corporation. The port handled 23.8 million tonnes of cargo in 1984 including 5.8 million tonnes of grain and 4.1 million tonnes of containerized cargo.

CORPORATION DATA

HEAD OFFICE	Edifice du Port de Montréal Aile No. 1 Cité du Havre Montréal, P.Q. H3C 3R5
STATUS	— Schedule C, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	July 1, 1983; letters patent of incorporation issued by the Minister of Transport pursuant to subsection 6.2(1) of the *Canada Ports Corporation Act*.
CHIEF EXECUTIVE OFFICER	Dominic J. Taddeo
CHAIRMAN	Ronald Corey
AUDITOR	Samson Bélair

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	**Six months ending December 31, 1983**
At the end of the period		
Total Assets	237.2	213.6
Obligations to the private sector	nil	nil
Obligations to Canada	239.5	240.1
Equity of Canada	(22.1)	(48.9)
Cash from Canada in the period		
— budgetary	nil	nil
— non-budgetary	nil	nil

MONTREAL PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DONALD MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the statements of income, deficit and changes in financial position of the Montreal Port Corporation for the fiscal year ended December 31, 1984 and its balance sheet at that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the results of operations and the changes in the financial position of the Corporation for the year ended December 31, 1984 and its financial position at that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements were, in all material respects, in accordance with Part XII of the Financial Administration Act and regulations thereto, the charter and by-laws of the Corporation and any directive given to the Corporation.

SAMSON BÉLAIR
Chartered Accountants

Montreal, Canada
February 12, 1985

BALANCE SHEET AS AT DECEMBER 31
(in thousands of dollars)

ASSETS	1984	1983
Current		
Cash	644	820
Investments (Note 3)	67,116	52,115
Accounts receivable	9,469	9,699
Materials and supplies	733	797
	77,962	63,431
Long-term		
Investments (Note 3)	38,984	39,259
Amounts receivable	578	1,023
	39,562	40,282
Fixed (Note 4)	119,626	109,904
	237,150	213,617

LIABILITIES	1984	1983
Current		
Accounts payable and accrued liabilities (Note 5)	9,277	11,133
Grants in lieu of municipal taxes	5,496	6,540
	14,773	17,673
Long-term		
Accrued employee benefits	5,277	5,331
Loans from Canada (Note 6)	239,208	239,527
	244,485	244,858
EQUITY OF CANADA		
Contributed capital	19,243	19,243
Deficit	(41,351)	(68,157)
	(22,108)	(48,914)
	237,150	213,617

On behalf of the Board:

ROMÉO BOYER
Chairman

DOMINIC J. TADDEO
General Manager and Chief Executive Officer

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1984 (12 months)	1983 (6 months)
Revenue from operations	57,325	30,714
Operating and administrative expenses	35,829	18,074
Depreciation	6,298	2,586
Grants in lieu of municipal taxes	4,287	2,158
Interest expense on loans from Canada	542	282
	46,956	23,100
Net income from operations	10,369	7,614
Investment income	10,232	4,545
Net income before extraordinary item	20,601	12,159
Extraordinary item		
Net gain on disposal and devaluation of fixed assets (Note 10)	6,205	
Net income for the year	26,806	12,159

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1984 (12 months)	1983 (6 months)
Balance at beginning	68,157	
Deficit transferred from Canada Ports Corporation (Note 1)		80,316
Net income for the year	26,806	12,159
Balance at the end	41,351	68,157

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1984 (12 months)	1983 (6 months)
Funds provided		
Operations		
Net income before extraordinary item	20,601	12,159
Items not requiring an outlay of funds		
Depreciation	6,298	2,586
Loss on disposal of fixed assets	647	
Other	275	63
	27,821	14,808
Proceeds on sale of fixed assets	13,244	
Proceeds on sale of long-term investment		6,814
Other	390	68
	41,455	21,690
Funds employed		
Additions to investments		7,661
Additions to fixed assets	23,705	4,864
Loans from Canada currently payable	319	301
	24,024	12,826
Increase in working capital	17,431	8,864
Working capital at the beginning of the year	45,758	
Working capital transferred from Canada Ports Corporation (Note 1)		36,894
Working capital at the end of the year	63,189	45,758

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1984

1. Status

The Port of Montreal was previously under the jurisdiction of the Canada Ports Corporation, formerly the National Harbours Board; as at July 1, 1983, the Montreal Port Corporation was incorporated by letters patent in accordance with paragraph 6.2(1) of the Canada Ports Corporation Act.

Following section 6.5 of the Canada Ports Corporation Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation, as it is for the Montreal Port Corporation.

Total transfer of assets less assumed liabilities resulted as of July 1, 1983 in an excess of liabilities over assets represented by contributed capital of $19,243,000 and a deficit in the amount of $80,315,689. The working capital at July 1, 1983 amounted to $36,894,158.

Fixed assets were recorded at their original cost with related accumulated depreciation and the investments are recorded at their original cost plus amortized discount or less amortized premiums.

2. Significant accounting policies

(a) Fixed assets and accumulated depreciation

The fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated on the straight-line method for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

(b) Pension costs

All permanent employees of the Montreal Port Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Montreal Port Corporation. These contributions represent the total liability of the Montreal Port Corporation and are recognized in the accounts on a current basis.

(c) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(d) Employee benefits

The Montreal Port Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with Montreal Port Corporation policy.

3. Investments

Funds are invested in Government of Canada direct and guaranteed securities which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. The market value of the short-term investments represents its amortized cost, as that of the long-term investments is $37,694,896 ($37,890,394 in 1983).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1984—*Concluded*

4. Fixed assets

	Depreciation rates %	Cost	Accumulated depreciation	Net value 1984	Net value 1983
		(in thousands of dollars)			
Land (Note 10)		17,967		17,967	20,017
Dredging	2.5	15,325	11,273	4,052	4,163
Berthing structures	2.5	58,474	35,002	23,472	22,779
Buildings	2.5	59,949	26,273	33,676	32,815
Utilities	5	11,985	5,519	6,466	5,732
Roads and surfaces	2.5-10	21,796	7,517	14,279	8,284
Machinery and equipment	5-20	41,356	24,783	16,573	9,068
Office furniture and equipment	20	764	544	220	209
		227,616	110,911	116,705	103,067
Projects under construction		2,921		2,921	6,837
		230,537	110,911	119,626	109,904

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are amounts for deferred revenues for $272,380 ($272,330 in 1983) and for the current portion of long-term liabilities for $319,403 ($583,545 in 1983).

6. Loans from Canada

	1984	1983
	(in thousands of dollars)	
Loans bearing interest at 6.25% with blended annual principal and interest repayment requirements of $842,561 and maturing in 2000	8,370	8,954
Less: current portion	319	584
	8,051	8,370
Non-interest bearing loans with indefinite due date	132,995	132,995
Accrued interest on loans not due nor payable	98,162	98,162
	239,208	239,527

Principal repayment requirements over the next five years amount to:

	$
1985	319,403
1986	339,365
1987	360,576
1988	383,112
1989	407,056

7. Contingencies

Claims aggregating approximately $5,800,000 in respect of lawsuits, guarantees, employee agreements, damage allegedly suffered on the Montreal Port Corporation property and sundry other matters in dispute have been made against the Montreal Port Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material financial liability.

8. Capital expenditure commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $6,300,000.

9. Related party transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown corporations.

The Corporation derives revenues from related parties principally of grain warehousing and switching charges. The expenses paid to related parties are principally administration fees.

Additionally in 1984, the Corporation in the course of the Vieux-Port de Montréal project, entered into other transactions referred to in Note 10.

10. Extraordinary item

(a) In 1981 as well as in 1983, the National Harbours Board through the Port of Montreal effected a land transfer to Public Works Canada.

The Treasury Board gave its approval to this transfer as at November 27, 1984 and the Montreal Port Corporation recorded it in its 1984 accounts as follows:

		(in thousands of dollars)
Fixed assets transfer		
Net book value		2,827
Consideration received		
Cash received in 1984	8,800	
Cash received in 1983	1,200	
Land	2,000	
Balance due to Public Works Canada since 1979	1,204	
		13,204
Gain on disposal of fixed assets		10,377

(b) The cost of a piece of land, subject to a transaction in 1985 has been decreased by an amount of $4,172,000 following an appraisal by J.A. Marois (1980) Inc. on January 31, 1984

Loss on devaluation of fixed assets	4,172
Net gain on disposal and devaluation of fixed assets	6,205

SUMMARY PAGE

NATIONAL CAPITAL COMMISSION

MANDATE

To prepare plans for and assist in the development, conservation and improvement of the National Capital Region.

BACKGROUND

Funding from Canada to the Commission has included loans for the purchase of property but mostly is budgetary funding. The Commission's own revenues meet about nine per cent of its expenses.

CORPORATION DATA

HEAD OFFICE	161 Laurier Avenue West 14th Floor Ottawa, Ontario K1P 6J6
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Roch La Salle, P.C., M.P.
DEPARTMENT	Public Works
DATE AND MEANS OF INCORPORATION	*National Capital Commission Act*, 1958 (R.S.C. 1970, C. N-3). Canada has owned this corporation since 1899 with the creation then of the Ottawa Improvement Commission (1899-1927) succeeded by the Federal District Commission (1927-1958).
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	Jean Pigott
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**	**1982-83**	**1981-82**
At the end of the period				
Total Assets	428.8	411.6	389.3	391.9
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	26.3	31.1	31.1	40.9
Equity of Canada	377.3	344.5	330.1	313.4
Cash from Canada in the period				
— budgetary	97.1	86.6	82.2	97.8
— non-budgetary	nil	nil	nil	0.2

NATIONAL CAPITAL COMMISSION

AUDITOR'S REPORT

THE HONOURABLE ROCH LASALLE, P.C., M.P.
MINISTER OF PUBLIC WORKS

I have examined the balance sheet of the National Capital Commission as at March 31, 1985 and the statements of operations, proprietor's equity and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Further, in my opinion, except as described in the following paragraph, the transactions of the Commission that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the National Capital Act, the articles and by-laws of the Commission.

On September 1, 1984, the Government proclaimed amendments to the Financial Administration Act which, inter alia, require that the Commission prepare its financial statements in accordance with generally accepted accounting principles. Note 2 describes the accounting policies relating to capital assets. The note indicates that the statement of operations includes cost of acquisition of capital assets, and that gains or losses on disposal of capital assets are reflected in the statement of proprietor's equity but not in the statement of operations. The note also indicates that no depreciation is recorded. In these respects the financial statements are not in accordance with generally accepted accounting principles as required under section 138(4) of the Financial Administration Act. However, as noted in Note 2, the Commission is committed to cause financial statements to be prepared in accordance with generally accepted accounting principles for the 1985-86 fiscal year.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 7, 1985

BALANCE SHEET AS AT MARCH 31, 1985
(in thousands of dollars)

ASSETS	1985	1984
Current		
Cash and short-term deposits	49,893	45,258
Accounts receivable		
Federal government departments and agencies	991	415
Tenants and others	776	1,293
Operating supplies, small tools and nursery stock	645	687
Prepaid expenses	1,479	1,046
	53,784	48,699
Capital		
Real property (Note 3)	361,910	350,935
Equipment, furniture and vehicles	13,074	10,683
	374,984	361,618
	428,768	410,317

LIABILITIES	1985	1984
Current		
Accounts payable and accrued liabilities	17,387	24,561
Unsettled expropriations of property	1,609	1,665
Holdbacks and deposits from contractors and others	1,580	1,155
	20,576	27,381
Long-term		
Loans from Canada (Note 4)	26,309	31,104
Accrued employee termination benefits	4,537	4,399
	30,846	35,503
EQUITY OF CANADA		
Proprietor's equity	377,346	347,433
	428,768	410,317

Approved by the Commission:

JEAN E. PIGOTT
Chairman

A. MARTIN
Commissioner

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985				1984
	Operating	Capital	Grants and Contributions	Total	Total
Revenues					
Parliamentary appropriations	49,257	37,525	10,273	97,055	86,550
Property revenues	6,421			6,421	5,873
Interest income	1,538	1,421		2,959	1,968
Miscellaneous	1,182			1,182	995
	58,398	38,946	10,273	107,617	95,386
Expenditures					
Land Development	14,418	8,337	8,320	31,075	30,579
Recreation and Culture	25,039	9,664	96	34,799	31,182
Transportation		12,559		12,559	15,206
Administration and Finance	14,312	930		15,242	14,080
Services and Utilities		913		913	1,850
Policy Development	2,076	3		2,079	2,105
	55,845	32,406	8,416	96,667	95,002
Excess of revenues over expenditures	2,553	6,540	1,857	10,950	384

STATEMENT OF PROPRIETOR'S EQUITY
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Balance at beginning of the year	347,433	330,129
Excess of revenues over expenditures	10,950	384
Capitalized expenditures (Note 2)	17,455	11,313
Net gain on disposal of capital assets	1,508	1,885
Adjustment of provision for land transfers at less than cost (Note 3)		807
Adjustment of provision for grants in lieu of taxes (Note 8)		2,915
Balance at end of the year	377,346	347,433

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Funds provided		
Excess of revenues over expenditures	10,950	384
Add items not requiring funds	137	326
	11,087	710
Proceeds on disposal of capital assets	5,542	2,909
Decrease in unsettled expropriations of property	56	206
Adjustment of provision for grants in lieu of taxes (Note 8)		2,915
	16,685	6,740
Funds applied		
Acquisition of real property to be financed by loans from Canada		306
Repayment of loans from Canada	4,795	18
	4,795	324
Increase in working capital	11,890	6,416
Working capital at beginning of the year	21,318	14,902
Working capital at end of the year	33,208	21,318

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. Authority and objectives

   The National Capital Commission was established by the National Capital Act, 1958 and is an agent corporation under the Financial Administration Act. The objects and purposes of the Commission are to prepare plans for and assist in the development, conservation and improvement of the National Capital Region in order that the nature and character of the seat of the Government of Canada may be in accordance with its national significance.

2. Significant accounting policies

   (a) Basis of accounting

   On September 1, 1984, the Government proclaimed amendments to the Financial Administration Act which, inter alia, required that the Commission prepares its financial statements in accordance with generally accepted accounting principles. However, as in previous years, the current year's financial statements of the Commission have been prepared in accordance with generally accepted accounting principles except for the accounting policies relating to capital assets which are explained below. The Commission is currently in the process of reviewing its financial policies and accounting systems to ensure that it will comply with the requirements of the Act in the 1985-86 fiscal year.

   (b) Capital assets

   (i) Capital expenditures
   Capital expenditures in the Statement of Operations include those which increase the value of capital assets as well as expenditures for surveys, studies and contributions to shared cost programs.

   (ii) Real property
   Only those expenditures producing Commission-owned real property are capitalized. Capitalization is at cost. The cost of real property does not include interest on loans to finance the acquisitions thereof. Gains or losses on disposal of real property are reflected in the Statement of Equity and no depreciation is recorded.

   (iii) Equipment, furniture and vehicles
   Equipment, furniture and vehicles are recorded at cost. Losses, which are recognized only at the time of destruction or disposal, are reflected in the Statement of Equity. No depreciation is recorded.

(c) Operating supplies, small tools and nursery stock

Operating supplies and small tools are carried at most recent cost. Nursery stock is valued at estimated replacement cost less an allowance for overhead, balling and packaging expenses.

(d) Pension plan

The Commission's employees participate in the Public Service Superannuation Plan, which is administered by the Government of Canada. Contributions to the Plan are made by both the employees and the Commission.

(e) Employee termination benefits

Severance pay generally accrues to employees over their service period, and is payable on their separation or retirement. Provision for these benefits is recorded as a liability.

3. Real property

The following are the major categories of real property at March 31:

	1985	1984
	(in thousands of dollars)	
Greenbelt	53,569	50,800
Parkways	68,675	67,324
Parks	42,245	38,627
Bridges and approaches	25,183	25,103
Historic sites	15,103	14,710
Recreational facilities	12,157	9,048
Rental properties	135,083	136,001
Unsettled expropriations	1,609	1,665
Administration and service buildings	10,366	9,737
	363,990	353,015
Less provision for transfers at less than cost	2,080	2,080
	361,910	350,935

Provision for transfers at less than cost pertains to property to be transferred in accordance with agreements with the Province of Quebec for lands to be given free of charge for approaches to the Macdonald-Cartier Bridge and for the transfer for $1 of lands to be used as a right-of-way for Highway 550.

4. Loans from Canada

The Commission purchased certain real property out of funds advanced from the Consolidated Revenue Fund of Canada by way of loans authorized by Parliament, upon terms and conditions approved by the Governor in Council.

Interest on these loans is payable semi-annually at rates varying from 5.0% to 9.0% and averaging 6.7% (1984—7.0%). Interest expense in the year ended March 31, 1985 amounted to $2.1 million (1984—$2.2 million). No dates for repayment are specified except that loans, and interest, are required to be repaid at the time of disposal of the properties financed by these loans. For non-greenbelt properties, the proceeds are to be used to repay relevant loans in full and any excess proceeds are to repay other outstanding loans; and for greenbelt properties, the excess of proceeds over acquisition cost are to be used to repay other outstanding loans.

5. Commitments

(a) Subject to funds being authorized by Parliament, the Commission is committed to make contributions to other levels of government as follows:

(i) Province of Quebec, one-half of the cost of a road network within the National Capital Region. The Commission's commitment is $128.5 million of which $118.8 million has been expended;

(ii) Province of Quebec and the Outaouais Regional Community, one-third of the cost of a regional sewage disposal system. The Commission's commitment is $52.4 million of which $51.7 million has been expended;

(iii) Regional Municipality of Ottawa-Carleton and the City of Ottawa, a contribution towards the cost of the Rideau Area development. The Commission's commitment is $11.4 million of which $11.1 million has been expended; and

(iv) Regional Municipality of Ottawa-Carleton, one-half of the cost of a new bridge across the Rideau River in the Hunt Club Road-Knoxdale Road area. The Commission's commitment is $7.0 million of which $4.6 million has been expended.

(b) The province of Quebec has expropriated certain lands at Laurier Park on behalf of the Commission. A sum of $0.4 million has been paid on account and the remaining amount of $1.253 million will be payable to the province in exchange for appropriate title documents.

(c) The Commission has entered into agreements for computing services and leases of equipment and office space. Annual payments under these agreements are approximately as follows:

	(in thousands of dollars)
1985-86	1,606
1986-87	1,393
1987-88	132
1988-89	3
	3,134

6. Contingencies

(a) Claims

Claims and potential claims have or may be made against the Commission totalling approximately $28.4 million for alleged wrongful termination of certain agreements, for alleged damages and other matters but are not reflected in the accounts.

The final outcome of these claims is not determinable. However, in the opinion of management and legal counsel, the position of the Commission is defensible and any payments required to settle these claims will not materially affect the financial position of the Commission. Settlements, if any, resulting from the resolution of these claims will be accounted for in the year in which the settlements occur.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

(b) Agreement with the Province of Ontario

In 1961, the Commission entered into an agreement whereby the Province of Ontario established and maintains 2,654 hectares (6,557 acres) of forest. When the agreement expires in 2011, or is terminated, the Commission will reimburse the Province for the excess of expenses over revenues, or the Province will pay the Commission the excess of revenues over expenses. At March 31, 1984, expenses exceeded revenues by $0.99 million, and are not reflected in the accounts of the Commission.

7. Subsequent events

On May 23, 1985, the Government of Canada gave notice that it would direct the Commission under section 137 of the Financial Administration Act to make a payment to the Receiver General in 1985-86 of $33 million which the Government considers to be surplus to the needs of the Commission.

For 1985-86, the Treasury Board has restricted the use of accumulated excess of revenues over expenditures arising from operations and payments of grants and contributions. As of March 31, 1985 these restricted funds amounted to $7.7 million.

8. Comparative figures

Certain figures for 1984 presented for comparative purposes have been restated to conform to the 1985 presentation and to adjust excessive provisions for liabilities as at March 31, 1984. These include:

(a) the removal of the capitalized value and corresponding liability for the purchase of lands as described in note 5(b);

(b) the reduction of provisions for grants-in-lieu of taxes payable under the Municipal Grants Act and in connection with land used for forestry purpose. This reduction has been credited to Proprietor's Equity.

SUMMARY PAGE

NORTHERN CANADA POWER COMMISSION

MANDATE

To plan, construct and operate on a self-sustaining basis, public utilities in the Northwest Territories and the Yukon Territory and, subject to approval of the Governor in Council, elsewhere in Canada.

BACKGROUND

Since 1948, NCPC has developed power generation and distribution facilities north of 60°. Since 1982, NCPC's largest single industrial customer in the Yukon, Cyprus Anvil mine, has suspended its operations resulting in under utilization of the hydro-generating capacity in the Yukon, therefore it became necessary for government to relieve the Commission of some interest obligations. On the other hand, the N.W.T. economy has been relatively stable in recent years, providing a financial surplus for the Commission. The viability of NCPC depends to a large degree upon the performance of the northern mining sector.

CORPORATION DATA

HEAD OFFICE	7909 - 51st Avenue P.O. Box 5700 Station L Edmonton, Alberta T6C 4J8
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable David Crombie, P.C., M.P.
DEPARTMENT	Indian Affairs and Northern Development
DATE AND MEANS OF INCORPORATION	In 1948, by the *Northwest Territories Power Commission Act* (amended as *Northern Canada Power Commission Act,* R.S.C. 1970, C. N-21)
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	James Smith
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**	**1982-83**	**1981-82**
At the end of the year				
Total Assets	267.5	270.4	251.7	212.3
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	241.0	249.9	239.6	206.3
Equity of Canada	14.8	8.9	3.1	(4.2)
Cash from Canada in the period				
— budgetary	nil	negl.	negl.	1.9
— non-budgetary,	5.0	20.1(net)	37.0	9.6

NORTHERN CANADA POWER COMMISSION

REPORT OF MANAGEMENT'S ACCOUNTABILITY

The accompanying financial statements are the responsibility of management and the Board of Directors of Northern Canada Power Commission. The financial statements were prepared by management in conformity with generally accepted accounting principles appropriate in the circumstances.

The Commission maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, that assets are acquired economically, are used to further the Commission's aims, and are protected from loss or unauthorized use and that the Commission acts in accordance with the laws of Canada. The Commission's management recognizes its responsibility for conducting the Commission's affairs in accordance with the requirements of applicable laws and principles, and for maintaining standards of conduct that are appropriate to an agent of the Crown. An internal auditor reviews the operation of financial and management systems to promote compliance and to identify changing requirements or needed improvements.

The Auditor General of Canada annually provides an independent, objective, review of management's discharge of its responsibility to report fairly the operating results and financial position of the Commission in accordance with generally accepted accounting principles. He also considers whether the transactions that come to his notice in the course of this review, are in all significant respects, in accordance with the specified legislation. The Commission has requested and the Auditor General has agreed to undertake, this Fall, an in-depth special examination of the adequacy of the Commission's system of financial and management controls.

The Board of Directors acts as the Commission and is also the Audit Committee. The Committee meets regularly with management to review and monitor accounting and reporting practices and operations of the Commission. The Auditor General has access to this Committee, with and without management present, to discuss the results of his audit and examination and his opinion on the quality of financial reporting and the adequacy of financial management controls. The internal auditor also meets with the Committee to discuss the scope and results of his audits, and takes direction from the Committee.

J. SMITH
Chairman and Chief Executive Officer

B. G. CHRISTIE
Acting General Manager

R. A. PHILLIPS
Comptroller

AUDITOR'S REPORT

THE HONOURABLE DAVID CROMBIE, P.C., M.P.
MINISTER OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT

I have examined the balance sheet of Northern Canada Power Commission as at March 31, 1985 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the accounting change for retained earnings as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Commission that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, and the Northern Canada Power Commission Act.

RAYMOND DUBOIS, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 14, 1985

BALANCE SHEET AS AT MARCH 31, 1985
(in thousands of dollars)

ASSETS	1985	1984
Property and equipment		
In service (Note 4)	224,520	229,892
Projects under construction	529	248
	225,049	230,140
Current		
Cash and term deposits	14,282	12,345
Accounts receivable		
Utilities	12,177	10,728
Other	2,390	3,808
Inventories		
Fuel and lubricants	11,239	11,145
Other supplies	2,382	2,253
	42,470	40,279
	267,519	270,419

LIABILITIES	1985	1984 (Restated)
Long-term		
Loans from Canada (Note 5)	231,336	240,797
Current		
Current portion of long-term loans	9,653	9,068
Accounts payable	11,479	10,694
Contractors' holdbacks	251	935
	21,383	20,697
	252,719	261,494
EQUITY OF CANADA		
Contingency reserve	5,635	2,166
Retained earnings	9,165	6,759
	14,800	8,925
	267,519	270,419

Approved by the Commission:

JAMES SMITH
Chairman and Chief Executive Officer

I. J. CABLE
Member

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
		(Restated)
Revenues		
Sale of power	80,128	73,749
Sale of heat	6,601	7,043
Other	1,414	1,127
	88,143	81,919
Expenses		
Operations and maintenance	53,051	47,764
Depreciation	10,118	7,843
Engineering and general administration (Note 6)	5,956	5,577
	69,125	61,184
Income from operations	19,018	20,735
Interest (Note 7)	13,143	14,879
Net income for the year	5,875	5,856
Retained earnings		
At beginning of the year		
As previously reported	8,925	3,069
Prior period adjustment (Note 3)	(2,166)	
As restated	6,759	3,069
Transfer to contingency reserve	(3,469)	(2,166)
At end of the year	9,165	6,759

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Funds provided		
Operations		
Net income for the year	5,875	5,856
Items not requiring an outlay of funds		
Depreciation	10,118	7,843
Other	(65)	159
	15,928	13,858
Insurance proceeds Inuvik fire loss	6,864	
Long-term loans from Canada	5,000	141,560
Disposals of property and equipment	518	
Increase in accounts payable and contractors' holdbacks	101	2,571
Total funds provided	28,411	157,989
Funds applied		
Repayment of long-term debt	13,876	131,315
Additions to property and equipment	12,344	30,098
Increase in inventories	223	1,512
Increase in accounts receivable	31	2,569
Total funds applied	26,474	165,494
Cash and term deposits		
Increase (decrease) for the year	1,937	(7,505)
At beginning of the year	12,345	19,850
At the end of the year	14,282	12,345

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. Authority and objective

The Northern Canada Power Commission, formerly the Northwest Territories Power Commission established in 1948, is a Crown Corporation named in Schedule C, Part 1 to the Financial Administration Act and operates under the Northern Canada Power Commission Act. The Commission is exempt from income tax.

The objective of the Commission is to provide utility services on a self-sustaining basis in the Northwest Territories, the Yukon Territory and, with the approval of the Governor in Council, elsewhere in Canada.

2. Accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and applied on a basis consistent with that of the preceding year. A summary of the significant accounting policies of the Commission is as follows:

Property and equipment

Property and equipment, with the exception of that gifted to the Commission by Canada and others which have been recorded at nominal value, are carried at cost less accumulated depreciation. Costs of additions, betterments and major renewals are capitalized. In addition to direct costs of goods and services, capital project costs include interest at prevailing rates on loan funds used to finance construction during the construction period and a share of engineering and general administration expense which is directly attributable to the projects.

Losses on disposal of property and equipment resulting from exceptional circumstances such as the disposal of assets which have not entered the production cycle, are written off to operations in the year that the losses are recognized. For normal retirements and losses covered by insurance, the cost of property and equipment retired, less disposal or other proceeds, is charged or credited to accumulated depreciation with no gain or loss being reflected in operations.

Depreciation

Depreciation of property and equipment, financed by loans from Canada, in service prior to March 31, 1977, excluding the Head Office building, is calculated as an amount equivalent to the principal portion of the repayment of the associated loan. The loans are being repaid by the annuity method over the estimated economic life of the assets. Property and equipment, financed by loans from Canada and placed in service subsequent to March 31, 1977, including the Head Office building and property and equipment purchased from internally generated funds, are depreciated on the straight line method.

Depreciation rates for the various classes of assets are based on their estimated economic lives, which for the principal classes of assets are:

Hydroelectric plants	30 - 50 years
Diesel engines and associated equipment	10 - 15 years
Fuel storage equipment	20 years
Buildings	20 - 30 years
Heating systems	20 years
Transmission and distribution systems	20 - 30 years
Office and general equipment	10 - 15 years
Motor vehicles	4 years

Inventories

Inventories are valued at average cost. Provision is made for any decline in value of slow-moving inventory.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Continued*

Contingency reserve

Order in Council P.C. 1980-1989 of July 24, 1980 authorizes the Commission to establish a contingency reserve which is not to exceed $10 million to provide for extraordinary losses not covered by the rate structure. A contingency allowance based on 4% of utility sales was authorized for inclusion in the rate structure, to be used first to recover prior period deficits and then to build up a reserve. Prior period deficits have been recovered and transfers to the reserve are being made annually of up to 4% of utility sales, or the net income for the year should it be less, until the authorized limit is reached.

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these payments is recorded in the accounts as the benefits accrue to the employees.

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Commission. These contributions represent the total liability of the Commission and are recognized in the accounts on a current basis.

Grants in lieu of taxes

Grants in lieu of taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

3. Accounting change

During the year the Commission changed its accounting for retained earnings retroactive to 1984. In that year prior period deficits of $4,608,000 were fully recovered from the previously authorized contingency allowance built into the rate structure and transfers to the contingency reserve could then be made. As a result retained earnings at April 1, 1984 have been reduced by $2,166,000 for the amount deemed to have been transferred to the contingency reserve in1984.

4. Property and equipment in service

	1985	1984
	(in thousands of dollars)	
Electric power plants	239,706	231,443
Transmission and distribution systems	39,073	37,866
Other utilities	3,686	3,819
Staff accommodation	3,721	3,829
Warehouses, motor vehicles and general facilities	8.003	7,041
	294,189	283,998
Less: accumulated depreciation	69,669	54,106
	224,520	229,892

5. Loans from Canada

The Commission receives funds for capital expenditures by way of interest-bearing loans from Canada. Interest at prevailing rates is accrued during the course of construction of a project and added to the amount borrowed. The total loan, including accrued interest, is repaid on terms and conditions as approved by Governor in Council.

The Commission also received a working capital loan of $7,500,000 in 1979. Terms and conditions provide for principal repayment by 10 equal annual instalments of $750,000 commencing on March 31, 1990. The loan is interest free but should any instalment become due and unpaid, interest at the then current rate is applicable until the date of payment.

At March 31, 1985, loans for capital expenditures carried interest at rates ranging from 4% to 15.625%, with a weighted average interest rate of 10.135% (1984—10.098%). Borrowings during the year were at an average interest rate of 11.625% (1984—9.553%).

Loans from Canada mature as follows:

	(in thousands of dollars)
1986	9,653
1987	10,055
1988	10,496
1989	10,616
1990	11,170
1991-2024	188,999
	240,989
Deduct: current portion	9,653
	231,336

6. Engineering and general administration expense

Engineering and general administration expense is net of $453,000 (1984—$642,000) allocated to capital projects.

7. Interest

	1985	1984
	(in thousands of dollars)	
Interest on long-term loans	24,484	21,700
Other loans		676
	24,484	22,376
Less: interest capitalized		5,667
income from term deposits and receivables	2,247	1,830
	2,247	7,497
	22,237	14,879
Interest adjustment	(9,094)	
	13,143	14,879

Due to the decline in mining activity in the Yukon Territory, the full capacity of the Whitehorse Hydro System was under-utilized during the year. System revenues were not sufficient to fully cover the applicable loan interest payable of $13,801,000 included in interest on long-term loans. Order in Council, P.C. 1985-6/1041 of March 28, 1985 set an interest rate of zero percent for the fiscal year 1985 on certain loans applicable to the System, thereby reducing loan interest otherwise payable by $9,094,000.

Under-utilization of the Whitehorse Hydro System is expected to continue in the foreseeable future. The Commission estimates that interest otherwise payable in 1985-86 will have to be reduced by $10,700,000.

8. Commitments

At March 31, 1985, the estimated committed cost to complete capital projects under construction is approximately $741,000 (1984—$1,127,000).

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

9. Related party transactions

In addition to the transactions described in Notes 4 and 7, the Commission has significant transactions with the Government of Canada and its agencies, as well as with territorial and municipal governments of the Northwest Territories and the Yukon Territory. These transactions and resulting balances comprise:

	1985	1984
	(in thousands of dollars)	
Sale of power and heat	43,492	42,964
Purchase of fuel	8,932	7,815
Contributions to the Public Service Superannuation Plan	678	655
Treasury bills and accrued interest	11,545	11,948
Accounts receivable	5,261	4,783
Accounts payable	3,015	1,287

Furthermore, the Commission receives audit and legal services without charge from the Office of the Auditor General of Canada and the Department of Justice of Canada.

SUMMARY PAGE

NORTHERN TRANSPORTATION COMPANY LIMITED

MANDATE

To provide economic, reliable and comprehensive marine transportation and related services on a profit-oriented basis in northern Canada and the Arctic.

BACKGROUND

The company has provided marine transportation services throughout the Mackenzie River watershed since 1934, and along the western Arctic Coast and islands since 1957. Keewatin operations out of Churchill, Manitoba were inaugurated in 1975 and since then the company has provided, under contract to Transport Canada, resupply service to five communities along the west coast of Hudson Bay and to Coral Harbour on Southampton Island. NTCL operates without government appropriations with the exception of the contract payments for the Keewatin resupply.

The company has two wholly-owned subsidiaries: Grimshaw Trucking and Distributing Ltd. provides a general merchandise trucking service from Edmonton and Calgary to a number of communities in northern Alberta and major centres in the Northwest Territories. The second subsidiary, Nortran Offshore Ltd., provides specialty vessels to the offshore oil and gas exploration industry, on a charter basis.

NTCL was sold by Canada on July 15, 1985 to the Inuvialuit Development Corporation and the Nunasi Corporation.

CORPORATION DATA

HEAD OFFICE	9945 - 108 Street Edmonton, Alberta T5K 2G9
STATUS	— Schedule C, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	Incorporated federally in 1947 and continued under the *Canada Business Corporations Act* in 1977.
AUDITOR	Deloitte Haskins & Sells

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	1983	1982	1981
At the end of the year				
Total Assets	75.1	76.1	78.2	75.0
Obligations to the private sector	nil	nil	0.6	1.1
Obligations to Canada	27.7	30.7	34.0	36.9
Equity of Canada	38.1	36.8	34.8	30.2
Cash from Canada in the year				
— budgetary	nil	0.6	1.1	0.6
— non-budgetary	nil	nil	nil	nil

NORTHERN TRANSPORTATION COMPANY LIMITED

MANAGEMENT'S REPORT

The consolidated financial statements of the Company have been prepared by Management in accordance with generally accepted accounting principles consistently applied.

The fairness, objectivity and integrity of data in these financial statements, including estimates and judgments relating to matters not concluded by year-end, are the responsibility of Management as is all other information included in this Annual Report.

The Company has established systems of internal financial control which are designed to provide reasonable assurance that assets are safeguarded and that reliable and accurate financial information is produced. In addition, the Audit and Compensation Committee of the Board of Directors, consisting solely of outside directors, meets at least twice a year with Management and the Company's auditors to review internal controls, financial statements, and internal and attest audit reports.

Management is of the opinion that the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Company's accounting policies as summarized in Note 1 to the Consolidated Financial Statements.

STANLEY D. CAMERON
President and Chief Executive Officer

J. GUNNAR ANDERSON
Vice-President Finance and Treasurer

AUDITORS' REPORT

THE HONOURABLE DON MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the consolidated statement of financial position of Northern Transportation Company Limited as at December 31, 1984 and the consolidated statements of earnings and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that the transactions of the Company that have come to our notice in the course of our examination were, in our opinion, in accordance with the Financial Administration Act, the regulations, the charter and by-laws for the Company and any directive given to the Company.

DELOITTE HASKINS & SELLS
Chartered Accountants

Edmonton, Canada
February 1, 1985

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Current assets		
Cash and short-term bank deposits	21,723	19,963
Accounts receivable	3,218	3,448
Operating and general supplies	1,844	2,096
Prepaid expenses	656	105
	27,441	25,612
Current liabilities		
Accounts payable and accrued liabilities	4,378	4,973
Current portion of long-term debt	3,261	3,014
	7,639	7,987
Working capital	19,802	17,625
Non-current assets		
Property and equipment (Note 6)	42,301	45,638
Insurance investment fund	5,325	5,325
	47,626	50,963
Capital employed	67,428	68,588
Represented by		
Long-term debt (Note 7)	24,465	27,726
Deferred income taxes (Note 4)	4,833	4,071
	29,298	31,797
Shareholder's equity		
Share capital (Note 8)	25,052	25,052
Retained earnings	13,078	11,739
	38,130	36,791
	67,428	68,588

Contingency (Note 12)

Approved by the Board:

S. D. CAMERON
Director

J. B. FOREST
Director

CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Revenue		
Freightage (Note 2)	34,223	39,265
Charter, rental and miscellaneous	6,572	5,821
	40,795	45,086
Expenses		
Cargo haulage	13,696	14,615
Terminal operations	8,957	9,432
Maintenance and repairs	7,004	7,647
Administration and marketing	4,533	4,787
Depreciation	5,058	5,250
	39,248	41,731
Earnings from operations	1,547	3,355
Other income (expense)—Net (Note 3)	667	(250)
Earnings before income taxes	2,214	3,105
Income taxes (Note 4)	875	1,448
Net earnings	1,339	1,657

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Retained earnings at beginning of year		
As previously reported	11,451	9,794
Prior period adjustment (Note 5)	288	288
As restated	11,739	10,082
Net earnings	1,339	1,657
Retained earnings at end of year	13,078	11,739

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Source of working capital		
Net earnings	1,339	1,657
Items not requiring working capital	5,617	5,531
Working capital from operations	6,956	7,188
Proceeds on disposal of property and equipment	208	160
	7,164	7,348
Use of working capital		
Purchase of property and equipment	1,726	2,850
Reduction of long-term debt	3,261	3,067
Transfer to insurance investment fund		800
	4,987	6,717
Increase in working capital	2,177	631
Working capital at beginning of year—As restated	17,625	16,994
Working capital at end of year	19,802	17,625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1984

1. Significant accounting policies

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant:

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, Grimshaw Trucking and Distributing Ltd. and Nortran Offshore Limited, both of which are wholly-owned. All significant inter-company transactions have been eliminated on consolidation.

Operating and general supplies

Inventories of operating and general supplies are recorded at the lower of cost and estimated replacement cost.

Insurance investment fund

As part of its insurance program, the Company maintains umbrella insurance coverage in respect of physical loss or damage to property and equipment. In addition, a fund is being accumulated to underwrite the aggregate deductible amount and the uninsured portion of any losses. The total amount of the fund, which is invested in guaranteed investment instruments, is related to the annual aggregate deductible amount under the umbrella program and will not exceed $6.0 million.

Leases

Leases are classified as either capital or operating. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease. All other leases are accounted for as operating leases wherein rental payments are charged to operations as incurred.

Property and equipment

Property and equipment are recorded at cost. The cost of major additions and replacements, including assets under capital lease, is capitalized. Minor replacements, maintenance and repairs, including provision for the estimated cost of repairing damage to vessels, are charged against current operations. Gains or losses realized on retirement or disposal are also reflected in operations.

Depreciation

Vessels are depreciated on a "unit of production" basis taking into account the estimated tonne-kilometer productive capacity of each vessel over a 15-year period with a minimum charge of four percent per annum calculated on a maximum useful life of 25 years. The cost of other depreciable assets, including assets under capital lease, is depreciated on a straight-line basis over an estimated useful life of 10 to 20 years for buildings, other structures and site development, and 5 to 10 years for other equipment.

Pension plan

A contributory, defined benefit, final average earnings pension plan covers all regular full-time employees of Northern Transportation Company Limited. The assets of the plan are held by an independent corporate trustee. Current service costs are funded and charged to operations as they accrue. Unfunded liabilities and plan improvement costs, as determined by actuarial valuation, are funded by annual payments which are charged to operations over periods recommended by the consulting actuary and as required by the Pension Benefits Standards Act.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1984—*Concluded*

2. Freightage revenue

Freightage revenue is reduced by $329,000 being the difference between eligible costs (including a profit allowance) and revenues for the Keewatin resupply service which under the terms of the services agreement with Transport Canada was required to be repaid to the Government. In 1983, the Company received a subsidy of $643,000 relative to this resupply service.

3. Other income (expense)—Net

	1984	1983
	(in thousands of dollars)	
Income		
Interest earned	2,685	2,092
Gain on disposal of property and equipment	203	137
Other	76	135
	2,964	2,364
Expense		
Interest on long-term debt	2,297	2,546
Interest on other debt		68
	2,297	2,614
	667	(250)

4. Income taxes

(a) The provision for income taxes includes the following:

	1984	1983
	(in thousands of dollars)	
Current income taxes (recovered)	113	(17)
Deferred income taxes	762	1,465
	875	1,448

(b) Deferred income taxes represent a future tax liability resulting from capital cost allowance claimed for income tax purposes in excess of depreciation charged in the financial statements.

5. Prior period adjustment

As a result of the settlement of a legal claim, to recover costs of repairing marine equipment damaged while on charter in a prior year, the retained earnings as at January 1, 1983 have been adjusted by $288,000 representing the amount of the settlement less income taxes and other related expenses. Accounts receivable and deferred income taxes have also been restated.

6. Property and equipment

	1984	1983
	(in thousands of dollars)	
Land	2,043	2,043
Vessels	68,677	68,305
Buildings, other structures and site development	25,837	25,913
Other equipment	22,276	21,580
	118,833	117,841
Accumulated depreciation	76,532	72,203
	42,301	45,638

7. Long-term debt

	1984	1983
	(in thousands of dollars)	
Notes payable to Canada		
7.45% note due 1985-1991	24,046	26,597
8.375% note due 1989	1,180	1,643
8.50% notes due 1990	2,500	2,500
	27,726	30,740
Less current portion	3,261	3,014
	24,465	27,726

Principal amounts due in each of the next five years are as follows: 1985—$3,261,000; 1986—$3,042,000; 1987—$3,329,000; 1988—$4,010,000 and 1989—$4,278,000.

Individual notes may be prepaid without premium or penalty.

8. Share capital

	1984	1983
	(in thousands of dollars)	
Authorized		
400,000 common shares of no par value		
Issued and fully paid		
250,520 shares to Canada	25,052	25,052

9. Operating lease obligations

Certain property is leased under long-term contracts. Commitments in respect of rental payments are: 1985—$615,000; 1986—$427,000; 1987—$405,000; 1988—$356,000; 1989—$79,000; and subsequent years—$1,281,000.

10. Pension plan

As determined by actuarial valuation at December 31, 1983, the Pension Plan for the employees of Northern Transportation Company Limited was fully funded.

11. Related party transactions

In addition to the notes payable to Canada referred to in Note 7, the Company had transactions with the Government of Canada and its agencies, the Government of the Northwest Territories, and several federal Crown corporations. These transactions were conducted in the normal course of business, under the same terms and conditions as those applied to unrelated parties. The account balances resulting from these transactions are reflected in the Consolidated Statement of Financial Position.

12. Contingency

On December 21, 1984, the Government of Canada announced it had conditionally accepted in principle a proposal from a private sector corporation to acquire all of the issued and outstanding shares of the Company.

The sale of the Compamny, and the change in status from a Crown corporation, may give rise to material changes in its financial position, working capital and future earnings.

SUMMARY PAGE

PACIFIC PILOTAGE AUTHORITY

MANDATE

To establish, operate, maintain and administer in the interests of safety an efficient pilotage service within designated waters in and around British Columbia.

BACKGROUND

Established in 1972, the Authority provides pilotage services and has the power to make regulations, subject to the approval of the Governor in Council, which establish compulsory pilotage areas; prescribe the ships/classes of ships that are subject to compulsory pilotage, the circumstances under which compulsory pilotage may be waived and pilotage tariffs; and which cover the licensing of pilots and issuance of pilotage certificates. Tariffs must be fair and reasonable and sufficient to permit the Authority to operate on a self-sustaining financial basis.

CORPORATION DATA

HEAD OFFICE	300-1199 West Hastings Street Vancouver, British Columbia V6E 4G9
STATUS	— Schedule C, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	Established pursuant to the *Pilotage Act* (S.C. 1970-71-72, C. 52) which was proclaimed to come into force on February 1, 1972.
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	R.A. Hubber-Richard
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	1983	1982	1981
At the end of the year				
Total Assets	4.4	4.5	3.9	2.8
Obligations to the private sector	nil	nil	0.3	nil
Obligations to Canada	0.1	0.1	0.1	0.2
Equity of Canada	2.6	2.5	1.8	1.0
Cash from Canada for the year				
— budgetary	nil	nil	nil	nil
— non-budgetary	nil	nil	nil	nil

PACIFIC PILOTAGE AUTHORITY

MANAGEMENT REPORT

The financial statements contained in this annual report have been prepared by management in accordance with generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements. In support of its responsibility, management maintains a system of internal control to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through an Audit Committee of the Board which is composed of two directors and the Chairman. The Audit Committee meets regularly with management, and the Auditor General when required.

The Auditor General conducts an independent examination, in accordance with generally accepted auditing standards, and expresses his opinion on the financial statements. The examination includes a review and evaluation of the Authority's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The Auditor General has full and free access to the Audit Committee of the Board and meets with it on a regular basis.

R.A. HUBBER-RICHARD
Chairman & Chief
Executive Officer

A.O. KORNMAN
Chief Accountant

AUDITOR'S REPORT

THE HONOURABLE DONALD MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of Pacific Pilotage Authority as at December 31, 1984 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Pilotage Act and by-laws of the Authority.

RAYMOND DUBOIS, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 1, 1985

BALANCE SHEET AS AT DECEMBER 31, 1984
(in thousands of dollars)

ASSETS	1984	1983
Current		
Cash	805	803
Accounts receivable	2,512	2,616
Prepaid expenses	82	16
	3,399	3,435
Property and equipment (Note 3)	988	1,049
	4,387	4,484

LIABILITIES	1984	1983
Current		
Accounts payable and accrued liabilities	1,244	1,410
Obligations under capital lease (Note 4)	24	22
	1,268	1,432
Long-term		
Accrued employee termination benefits	416	420
Obligations under capital lease (Note 4)	83	107
	499	527
	1,767	1,959
EQUITY OF CANADA		
Contributed capital	806	806
Retained earnings	1,814	1,719
	2,620	2,525
	4,387	4,484

Approved by the Authority:

R. A. HUBBER-RICHARD
Chairman

J. A. HORNE
Member

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Revenues		
Pilotage charges	20,024	18,850
Interest and other income	97	104
	20,121	18,954
Expenses		
Contract pilots' fees	13,752	12,441
Operating costs of pilot boats	2,225	2,149
Transportation and travel	1,709	1,652
Staff salaries and benefits	905	813
Pilots' salaries and benefits	624	590
Computer software costs	249	
Depreciation	175	156
Professional and special services	152	149
Rentals	78	53
Utilities, materials and supplies	69	69
Communications	64	61
Repairs and maintenance	13	19
Interest on capital lease	10	97
Bad debts	1	1
	20,026	18,250
Net income for the year	95	704

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Appropriated		
Balance at beginning of the year	500	815
Transfer from (to) unappropriated		(315)
Balance at end of the year	500	500
Unappropriated		
Balance at beginning of the year	1,219	200
Net income for the year	95	704
Transfer from (to) appropriated		315
Balance at end of the year	1,314	1,219
	1,814	1,719

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Funds provided		
Operations		
Net income for the year	95	704
Items not affecting funds		
Depreciation	175	156
Employee termination benefits	(4)	46
Gain on sale of property and equipment		(31)
	266	875
Proceeds on sale of property and equipment		33
	266	908
Funds applied		
Additions to property and equipment	114	282
Decrease in long-term obligations under capital lease	24	258
	138	540
Increase in working capital	128	368
Working capital at beginning of the year	2,003	1,635
Working capital at end of the year	2,131	2,003

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. Nature of activities

The Pacific Pilotage Authority was established on February 1, 1972 pursuant to the Pilotage Act. The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act further provides that the tariffs of pilotage charges shall be fair and reasonable and consistent with providing a revenue, together with any revenue from other sources, sufficient to permit the Authority to operate on a self-sustaining financial basis.

Pilotage services on the Fraser River are provided by employee pilots and in other coastal waters under a contract with a local association of licensed pilots.

The Authority is not subject to any income taxes.

2. Significant accounting policies

Capital leases

Under the terms of certain lease agreements the Authority assumes the rights and obligations of ownership. These leases are treated as capital leases. An asset and an obligation are recorded at an amount equal to the market value of the asset at the beginning of the lease. The obligation is reduced each year by the principal portion of the lease payments and the interest portion is charged to expense.

Depreciation

Depreciation of property and equipment is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Pilot boats	20 years
Equipment	5 and 10 years
Leasehold improvements	7 years

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these payments is recorded in the accounts as the benefits accrue to the employees.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

Contributed capital

Amounts representing the values assigned to property and equipment transferred from Canada in 1972 and the cost of any property and equipment financed from parliamentary appropriations are shown as contributed capital.

Retained earnings

Amounts are appropriated from time to time by the Authority to provide for extraordinary costs arising from renewal or acquisition of fixed assets and for contingencies.

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. These contributions represent the total liability of the Authority and are recognized in the accounts on a current basis.

3. Property and equipment

	1984	1983
	(in thousands of dollars)	
Buildings	40	40
Pilot boats	1,142	1,142
Equipment	661	547
Leasehold improvements	98	98
	1,941	1,827
Accumulated depreciation	953	778
	988	1,049

The above assets include property and equipment under capital leases at a total value of $276,000 (1983—$276,000) less accumulated depreciation of $166,000 (1983—$152,000).

4. Obligations under capital lease

	1984	1983
	(in thousands of dollars)	
Total minimum payments under 8% lease agreement with Canada for pilot boat, due April 1988, payable in blended annual payments of $32,000	129	161
Amount representing interest	(22)	(32)
Balance of the obligations	107	129
Current portion	(24)	(22)
Long-term portion	83	107

Upon maturity of the lease, the Authority has the option to purchase the pilot boat for $1.

5. Commitments

The Authority has a long-term lease obligation for office accommodation aggregating $1,156,800 for the period from January 1, 1985 to December 31, 1999 at a base annual rent of $77,120.

The Authority has an operating lease agreement for the services of a manned pilot boat with a guaranteed annual rental of $58,000 to 1990, plus operating expenses. There is an option to purchase the boat, at any time, at a price to be determined when the option is exercised.

SUMMARY PAGE

PECHERIES CANADA INC.

MANDATE

PCI is a holding company with no operating mandate.

BACKGROUND

Incorporated in February 1984 and became a parent Crown corporation on February 27, 1985. It owns 87 per cent o the issued shares of the fish processing corporation, Pêcheries Cartier, Inc.

CORPORATION DATA

HEAD OFFICE	1155 Dorchester Blvd. W. Suite 3900 Montreal, Quebec H3B 3V2
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Sinclair Stevens, P.C., Q.C., M.P.
DEPARTMENT	Regional Industrial Expansion
DATE AND MEANS OF INCORPORATION	By letters patent, February 27, 1984, under the *Canada Business Corporations Act*
CHIEF EXECUTIVE OFFICER	Michel Vennat
CHAIRMAN	Michel Vennat
AUDITOR	Price Waterhouse

FINANCIAL SUMMARY ($ million) The financial year ends December 31.

	March 5, 1984 to December 31 1984
At the end of the period	
Total Assets	20.9
Obligations to the private sector	nil
Obligations to Canada	0.5
Shareholders equity	12.3
Cash from Canada in the period	
— budgetary	nil
— non-budgetary	31.5

PÊCHERIES CANADA INC.

AUDITORS' REPORT

TO THE SHAREHOLDER OF
PÊCHERIES CANADA INC.

We have examined the consolidated balance sheet of Pêcheries Canada Inc. as at December 31, 1984 and the consolidated statements of operations and deficit and changes in financial position for the period from March 5 to December 31, 1984. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1984 and the results of its operations and the changes in its financial position for the period from March 5 to December 31, 1984, in accordance with generally accepted accounting principles.

We further report that, in our opinion, proper books of account have been kept by the Company, the financial statements are in agreement therewith, and the transactions that have come under our notice have been within the powers of the Company.

PRICE WATERHOUSE
Chartered Accountants

March 15, 1985

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1984

ASSETS	1984	
	$	$
Current		
Receivables (Note 3)	5,131,171	
Inventories (Note 4)	3,807,446	
Prepaid expenses	159,402	9,098,019
Mortgages receivable		203,078
Fixed assets, net (Note 5)		9,538,209
Other assets (Note 6)		307,277
Goodwill (net of amortization of $197,135) (Note 2(d))		1,774,237
		20,920,820

LIABILITIES	1984	
	$	$
Current		
Bank demand loans and overdrafts (Note 7)	2,680,272	
Accounts payable and accrued liabilities	2,423,163	5,103,435
Deferred credit—Government grants (Note 8)		489,000
Minority interest (Note 9)		3,074,070
CAPITAL STOCK AND DEFICIT		
Capital stock (Note 10)		28,500,000
Deficit		(16,245,685)
		12,254,315
		20,920,820

Approved by the Board:

JOHN SYLVAIN
Director

RAYMOND GAGNÉ
Director

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
MARCH 5 TO DECEMBER 31, 1984

	1984	
	$	$
Sales		19,186,835
Cost of sales		19,740,337
Loss on sales		553,502
Expenses		
Marketing and distribution	1,710,222	
Administrative	2,086,551	
Financial	212,321	
Amortization of goodwill	197,135	4,206,229
		4,759,731
Other revenues		(796,592)
Loss from continuing operations		3,963,139
Loss from discontinued operations (Note 14)		1,325,966
Loss before the undernoted items		5,289,105
Non-recurring costs		
Start-up costs	653,118	
Normalization costs (Note 11)	4,606,841	5,259,959
Loss before income taxes, minority interest and extraordinary items		10,549,064
Income taxes		42,929
Loss before minority interest and extraordinary items		10,591,993
Minority interest in subsidiary company		17,162
Loss before extraordinary items		10,609,155
Extraordinary items		
Incremental costs relative to acquisitions (Note 13)	2,743,579	
Loss on discontinuance and disposal of plants (Note 14)	2,892,951	5,636,530
Loss for the period and deficit at end of period		16,245,685

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
MARCH 5 TO DECEMBER 31, 1984

	1984	
	$	$
Working capital provided by		
Proceeds from issue of capital stock	28,500,000	
Proceeds from issue of capital stock to minority interests	3,000,000	
Proceeds from disposal of non-current assets	1,256,832	32,756,832
Working capital used for		
Continuing operations		
Loss from continuing operations including income taxes	4,006,068	
Add (deduct): charges not involving an outlay of funds		
Depreciation	(930,652)	
Loss on disposal of fixed assets	(52,788)	
Amortization of goodwill	(197,135)	
Amortization and write-off of deferred credits	99,140	
	(1,081,435)	2,924,633
Discontinued operations		
Loss from discontinued operations	1,325,966	
Deduct: non-fund items included therein	261,885	1,064,081
Other items		
Additions to fixed assets	3,875,193	
Additions to other assets	774,967	
Repayment of long-term debt	2,287,675	6,937,835
Non-recurring costs		5,259,959
Extraordinary items		
Incremental costs relative to acquisitions	2,743,579	
Deduct: loss on disposal of non-current assets	98,153	2,645,426
Acquisitions		
Cost of net assets acquired from Pêcheries Canada Inc. (Note 13)	12,225,012	
Deduct: working capital acquired	3,053,390	9,171,622
Cost of Les Crevettes du St-Laurent Inc. acquisition (Note 12)	855,854	
Deduct: working capital acquired	97,162	758,692
		28,762,248
Working capital, end of period		3,994,584

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. The Company

Pêcheries Canada Inc. was incorporated on February 29, 1984 under the Canada Business Corporations Act, is subject to the Financial Administration Act, the Government Companies Operations Act, is an agent of Her Majesty in Right of Canada, and is wholly-owned by Canada Development Investment Corporation. On February 25, 1985, the shares of Pêcheries Canada Inc. have been transferred to the minister of Regional Industrial Expansion.

Through Pêcheries Cartier Inc. and its subsidiary companies, the Company is engaged in the province of Québec primarily as a major processor and international distributor of sea products.

2. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiary companies since the date of acquisition. The assets, liabilities and operations included in these financial statements are virtually those of Pêcheries Cartier Inc.

The principal operating subsidiaries are as follows:

Subsidiary	Percentage of voting rights
Directly controlled	
Pêcheries Cartier Inc.	96%
Controlled by Pêcheries Cartier Inc.	
Chantier Maritime de Gaspé Inc.	100%
Pêcheries Atlantiques du Québec Inc.	75%

(b) Valuation of inventories

Inventories are valued at the lower of cost and net realizable value. Cost of processed goods is determined using the first in, first out basis and includes the cost of raw materials, direct labour and manufacturing overhead. Cost of purchased goods is the laid down cost on the first in, first out basis.

(c) Fixed assets and depreciation

Fixed assets are stated at cost net of related investment tax credit. Cost of assets purchased through business acquisitions (see Notes 12 and 13) is determined as the fair value assigned at date of acquisition. Depreciation is provided on the declining balance method using rates based on their estimated useful lives, generally as follows:

Buildings	2½% to 10%
Plant equipment	12½% to 20%
Rolling stock	30%
Office equipment, furniture and fixtures	20%

(d) Goodwill

Goodwill represents the excess cost over the values attributed to the underlying net assets of subsidiary companies at dates of acquisition. Goodwill is amortized over ten years.

(e) Deferred credit—Government grants

Government grants were received by a subsidiary in connection with the purchase of certain fixed assets. When received, these are recorded as deferred credits and amortized on the same basis and over the same period that the related assets are depreciated.

(f) Translation of foreign currencies

Current assets and current liabilities in foreign currencies are translated into Canadian dollars at year-end rates of exchange. Revenue and expense items are translated at the rates of exchange prevailing at the dates the transactions are recorded. Gains and losses resulting from translation are reflected in the statement of operations.

3. Receivables

Receivables consist of the following items

	$
Accounts receivable, trade (net of allowance for doubtful accounts of $668,960)	3,872,279
Advances to fishermen (net of allowance for doubtful collection of $223,498)	245,752
Current portion of mortgages receivable	346,513
Other	666,627
	5,131,171

Advances to fishermen

These advances are generally secured by first and second marine mortgages. Collection is normally contingent on the degree of success of the fishing season.

4. Inventories

Inventories are composed of the following

	$
Finished products	2,780,223
Raw materials	216,358
Packaging materials and supplies	369,049
Other saleable merchandise	382,182
Work in progress	59,634
	3,807,446

5. Fixed assets and accumulated depreciation

	Cost	Accumulated depreciation	Net book value
	$	$	$
Land	82,302		82,302
Buildings	6,985,512	868,421	6,117,091
Plant equipment	3,958,449	1,528,858	2,429,591
Rolling stock	546,830	286,511	260,319
Office equipment, furniture and fixtures	241,767	81,593	160,174
	11,814,860	2,765,383	9,049,477
Estimated net realizable value of discontinued facilities for disposal	488,732		488,732
	12,303,592	2,765,383	9,538,209

6. Other assets

Other assets consist of the following items

	$
Investments and deposits	116,610
Fishing permit, at cost	170,000
Deferred charges	20,667
	307,277

Fishing permit

This permit has not been utilized during the course of the period. The carrying value may not necessarily be indicative of its potential value.

7. Bank demand loans

The bank demand loans are secured by a general assignment of book debts and assignment of trade receivables and inventories.

8. Deferred credit—Government grants

This deferred credit relates to government grants received by a subsidiary in prior years.

Government grants aggregating $687,660 were received in connection with the purchase of certain fixed assets and the creation of employment. Since this subsidiary did not fulfill all the conditions pertaining to the creation of employment, a portion of these grants may be subject to reimbursement. No provision has been made in these financial statements for this occurrence.

During the period, the changes in this account were as follows:

	$
Unamortized balance, beginning of period	588,140
Write-off of deferred credit relating to grants receivable for which the subsidiary did not meet criteria	(74,015)
Amount amortized for the current period	(25,125)
Unamortized balance, end of period	489,000

9. Minority interest

Outside shareholders' interest in subsidiary companies consists of the following:

	$
Pêcheries Cartier Inc.	
Class "B" 5% non-cumulative, non-voting, preferred	2,000,000
Class "C" 5% non-cumulative, voting, preferred	1,000,000
Pêcheries Atlantiques du Québec Inc.	
Common share equity	74,070
	3,074,070

10. Capital stock

The Company's authorized share capital consists of an unlimited number of common shares.

Issued share capital

	$
2,850,000 shares	28,500,000

11. Normalization costs

These costs are related to work carried out on plant facilities that was necessary to conform to standards of hygiene legislated by the Province of Québec. In the opinion of Pêcheries Cartier Inc., these costs provide little, if any, economic value and accordingly, have been charged to operations.

12. Acquisition and wind-up of subsidiary company

Effective June 1, 1984, Pêcheries Cartier Inc. acquired all the outstanding common shares of Les Crevettes du St-Laurent Inc., a company engaged in the processing of shrimp in Cap-Chat, Québec.

The results of operations from acquisition date have been included in the consolidated statement of operations.

This acquisition is summarized as follows:

	$
Assets acquired	
Fixed assets	1,472,570
Other non-current assets	9,207
Goodwill	64,024
Working capital	97,162
	1,642,963
Long-term debt assumed	787,109
Purchase price of net assets acquired	855,854

On November 30, 1984, this subsidiary was wound-up, its operations being continued by Pêcheries Cartier Inc. since that date.

13. Acquisition of the Pêcheurs Unis du Québec co-operative

Effective March 5, 1984, the Company acquired the assets of the Pêcheurs Unis du Québec co-operative and its subsidiary companies after this co-operative consented to voluntary bankruptcy.

Thereafter, these assets were transferred to Pêcheries Cartier Inc. which had theretofore relinquished its rights in the matter of this acquisition.

On a consolidated basis, this acquisition is summarized as follows:

	$
Assets acquired	
Fixed assets	9,067,724
Other assets	342,163
Goodwill	1,907,349
Working capital	3,053,390
	14,370,626
Liabilities assumed	
Long-term debt	1,500,566
Deferred credits	588,140
Minority interest	56,908
	2,145,614
Purchase price of net assets acquired	12,225,012

After the acquisition had been concluded, Pêcheries Cartier Inc. decided to make payments to certain ordinary creditors of the bankruptcy in exchange for subrogation of their rights to dividend entitlement.

In addition, the Pêcheries Cartier Inc. subsequently incurred other losses on assets acquired in the bankruptcy. These losses arose mainly from inventories which were found to be of inferior quality and sold at below normal prices.

The details of these incremental costs are summarized as follows:

	$	$
Payments to creditors	2,762,724	
Deduct: dividends	718,138	2,044,586
Net incremental losses on current assets acquired from the bankruptcy		600,840
Losses from disposal of fixed and other assets acquired from the bankruptcy		98,153
		2,743,579

As part of this acquisition, Pêcheries Cartier Inc. also acquired rights to the former employees' pension fund surplus. Pêcheries Cartier Inc. is under the opinion that it may be entitled to this surplus and is exploring various legal avenues of procuring it. A study is underway to establish the amount of fund surplus which may exist.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

14. Discontinued operations

During the period, Pêcheries Cartier Inc. decided to divest itself of certain plants and other facilities which are not compatible with the Company's long-term business strategies.

Newport plant

This plant is no longer able to sustain itself as a result of more modern facilities being established adjacent to this plant by a major competitor.

Cloridorme, St-Maurice and Îles-de-la-Madeleine plants

These plants are generally obsolete and otherwise not productive. The costs required to update and improve these facilities so as to render them productive and conform to current legislation of hygiene standards would be prohibitive. The prospects for returns on the total estimated ultimate costs are considered inadequate, even in the long-run. Accordingly, the carrying values of the assets involved have been written down to their estimated net realizable value.

Loss on discontinuance and disposal of plants

	$
Net book value of discontinued operations	
Newport plant assets	2,378,797
St-Maurice and Îles-de-la-Madeleine plant assets	639,335
Cloridorme plant assets	304,408
Other facilities	59,143
	3,381,683
Estimated net realizable value	488,732
	2,892,951

Loss from discontinued operations

The results of the discontinued operations for the current period were as follows:

	Newport plant	St-Maurice and Îles-de-la-Madeleine plants	Cloridorme plant	Total
	$	$	$	$
Sales	3,327,404		729,235	4,056,639
Cost of sales and other expenses	4,357,785	174,642	850,178	5,382,605
Loss	1,030,381	174,642	120,943	1,325,966

15. Income tax losses and tax credits

The Company's subsidiaries have tax losses available to be applied against taxable income of future years of approximately $7,218,000 which expire as follows:

	$
1985	128,000
1987	427,000
1990	1,106,000
1991	5,557,000

In addition, investment tax credits aggregating approximately $4,896,000 are available to reduce future income taxes otherwise payable and which expire as follows:

	$
1985	555,000
1986	346,000
1987	79,000
1988	112,000
1991	3,804,000

No recognition has been given in the financial statements to the potential future tax saving resulting from the availability of these losses and credits.

16. Contingency

The union of the former employees of the Pêcheurs Unis du Québec co-operative has commenced legal proceedings against one of the Company's subsidiaries for the rehiring of certain of the former employees. The subsidiary's solicitors have been appointed to appeal a decision rendered, on December 7, 1984, by the Superior Court of the District of Montréal.

The subsidiary's officers are not in a position to evaluate the financial impact should the appeal prove unsuccessful and, accordingly, no provision has been made in the financial statements.

SUMMARY PAGE

PETRO-CANADA

MANDATE:

To explore for, research, develop, produce and distribute hydrocarbons and other types of fuel and energy, and to engage or invest in ventures related thereto.

BACKGROUND:

The corporation (P-C) has grown in nine years' operation to employ 6,700 people and has $9 billion total assets. Its growth was principally from its acquisition, in succession, of Atlantic Richfield, Pacific Petroleums, Petrofina and BP Canada rights and other assets but, as well, major new investments have been made by P-C in frontier drilling. It is a significant share-owner in the promising Hibernia offshore field and is a participant in Beaufort Sea and in Venture (Nova Scotia) fields, and in the Syncrude Tar-sands operation.

CORPORATION DATA

HEAD OFFICE	P.O. Box 2844 1000, 407 - 2nd Street, S.W. Calgary, Alberta T2P 3E3
STATUS	— Schedule C, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Patricia Carney, P.C., M.P.
DEPARTMENT	Energy, Mines and Resources
DATE AND MEANS OF INCORPORATION	By the *Petro-Canada Act* (S.C. 1975, C. 61) proclaimed July 30, 1975.
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	Wilbert H. Hopper
AUDITOR	Peat, Marwick, Mitchell and Co.

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	1983	1982	1981
At the end of the year				
Total Assets	9,055	8,239	7,552	6,613
Obligations to the private sector	1,469	1,583	1,795	2,777
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	4,577	4,010	3,342	1,640
Cash from Canada in the year				
— budgetary	nil	nil	nil	nil
— non-budgetary	425	642	1,306	902

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements have been prepared by management in accordance with generally accepted accounting principles appropriate in the circumstances. Management is responsible for the other information in the Annual Report, which is consistent, where applicable, with that contained in the financial statements. Management is also responsible for installing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced. The Corporation has an internal audit department whose functions include reviewing the systems of internal control to ensure that it is adequate and functioning properly.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board, a majority of which is composed of directors who are not employees of the Corporation.

The committee meets with management, the internal auditors and the external auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements.

The external auditors, Peat, Marwick, Mitchell & Co., conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board.

AUDITORS' REPORT

TO THE HONOURABLE PATRICIA CARNEY, P.C., M.P.
MINISTER
ENERGY, MINES AND RESOURCES CANADA
HOUSE OF COMMONS

We have examined the consolidated balance sheet of Petro-Canada as at December 31, 1984 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for foreign currency translation as explained in Note 2 to the consolidated financial statements, on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the Corporation and its consolidated wholly-owned subsidiaries that have come to our notice in the course of our examination of the consolidated financial statements of Petro-Canada were, in all significant respects, in accordance with the Financial Administration Act and the regulations thereto, the charter and by-laws of the Corporation and its consolidated wholly-owned subsidiaries and any directives given to the Corporation.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

Calgary, Canada
February 20, 1985

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1984
(in thousands of dollars)

ASSETS	1984	1983
Current Assets		
Cash and short-term deposits	32,819	55,584
Accounts receivable	827,894	787,876
Inventories (Note 4)	845,715	711,006
Income taxes recoverable	23,036	27,265
Deposits and prepaid expenses	21,394	18,674
	1,750,858	1,600,405
Investments (Note 5)	599,852	312,269
Property, Plant and Equipment, net (Note 6)	6,605,366	6,247,689
Deferred Charges (Note 7)	99,206	78,662
	9,055,282	8,239,025

LIABILITIES AND SHAREHOLDER'S EQUITY	1984	1983
Current Liabilities		
Accounts payable and accrued liabilities	807,913	792,531
Current portion of long-term debt	47,102	30,252
	855,015	822,783
Long-Term Debt (Note 8)	109,947	158,156
Advances on Future Natural Gas Deliveries	173,436	153,170
Minority Interest in Subsidiaries (Note 9)	419,813	422,915
Deferred Income Taxes	1,608,412	1,277,356
Redeemable Preferred Shares (Note 10)	1,312,080	1,394,085
Capital (Note 11)	4,161,072	3,736,072
Contributed Surplus	62,461	62,461
Retained Earnings	353,046	212,027
	4,576,579	4,010,560
	9,055,282	8,239,025

Approved on behalf of the Board:

W. H. HOPPER
Director

W. McBURNEY ELLIOTT
Director

CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Revenue		
Operating	4,881,293	4,123,817
Investment and other income	110,132	48,526
	4,991,425	4,172,343
Expenses		
Crude oil and product purchases	2,780,170	2,410,131
Producing and refining	475,331	393,377
Marketing, general and administrative	407,442	345,744
Depreciation, depletion and amortization	367,911	329,897
Taxes other than income taxes (Note 12)	343,784	285,636
Interest on long-term debt	11,324	29,027
Other interest		2,325
	4,385,962	3,796,137
Earnings before Undernoted Items	605,463	376,206
Provision for Income Taxes (Note 13)		
Deferred	331,056	227,788
Current	27,836	21,178
	358,892	248,966
	246,571	127,240
Minority Interest	4,961	5,823
Earnings before Extraordinary Items and Dividends on Redeemable Preferred Shares	251,532	133,063
Extraordinary Items		16,515
Net Earnings for Year Before Dividends on Redeemable Preferred Shares	251,532	116,548
Dividends on Redeemable Preferred Shares (Note 10)	100,083	86,379
Net Earnings for Year After Dividends on Redeemable Preferred Shares	151,449	30,169

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Retained Earnings at beginning of year	212,027	186,232
Net Earnings for Year Before Dividends on Redeemable Preferred Shares	251,532	116,548
Dividends on Redeemable Preferred Shares	(100,083)	(86,379)
Net Earnings for Year After Dividends on Redeemable Preferred Shares	151,449	30,169
Exchange Adjustment on Redemption of Redeemable Preferred Shares (Note 10)	(10,430)	(4,374)
Retained Earnings at End of Year	353,046	212,027

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Internally Generated Cash		
Working capital provided from operations (Note 14)	939,529	676,315
Proceeds from sale of property, plant and equipment	51,454	41,911
Advances on future natural gas deliveries	20,266	28,844
Internally generated cash	1,011,249	747,070
Investment Activities		
Acquisition of BP Refining and Marketing Canada Limited		115,781
Less cash acquired		(24,695)
		91,086
Expenditures on property, plant and equipment	1,151,820	1,019,252
Petroleum Incentive Program grants	(380,304)	(468,488)
Increase (decrease) in operating working capital (Note 15)	140,986	(34,485)
Increase (decrease) in investments, net	282,103	(1,412)
Increase in deferred charges, net	14,196	12,208
(Increase) decrease in minority interest in subsidiaries	(1,859)	438,443
	1,206,942	1,056,604
Financing Activities and Dividends		
Issue of common shares	425,000	642,917
Dividends on redeemable preferred shares	(100,083)	(86,379)
Proceeds from issue of long-term debt		404,289
Reduction of long-term debt	(59,554)	(549,941)
Redemption of redeemable preferred shares	(92,435)	(74,664)
	172,928	336,222
Increase (Decrease) in Cash	(22,765)	26,688
Cash at Beginning of Year	55,584	28,896
Cash at End of Year	32,819	55,584

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1984
(tabular amounts shown in thousands of dollars)

1. Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of Petro-Canada, an agent of Her Majesty in the right of Canada, and of all subsidiary companies ("the Corporation") except Canertech Inc. which is excluded for the reason described in Note 5.

The excess of the consideration paid for the shares of subsidiaries over the underlying net book values at the dates of acquisition is attributed to the related assets acquired and is amortized over the life of these assets.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Investments

The Corporation accounts for investments in companies over which it has significant influence on the equity method. Other long-term investments are accounted for on the cost method.

(d) Property, Plant and Equipment

The Corporation accounts for its investment in oil and gas properties on the full cost method whereby all costs relating to the exploration for and development of oil and gas reserves are capitalized. Such costs include those related to lease acquisitions, geological and geophysical activities, lease rentals on non-producing properties, drilling both productive and non-productive wells and overhead related to exploration. The Corporation applies a "ceiling test", to capitalized costs in each producing cost centre, to ensure that such costs do not exceed the estimated future net revenues from production of proven reserves, at current prices and operating costs, together with the estimated fair market value of unevaluated properties.

Separate cost centres have been established for non-frontier Canada, the Syncrude Project, each foreign area in which the Corporation has an interest, each of five Canadian frontier areas and for other oil sands leases.

The interest cost of debt attributable to the construction of major new facilities is capitalized during the construction period.

Substantially all of the Corporation's exploration and production activities related to oil and gas are conducted jointly with others. Only the Corporation's proportionate interest in such activities is reflected in the financial statements.

(e) Depreciation, Depletion and Amortization

Costs incurred in non-frontier Canada, the Syncrude Project and in producing foreign cost centres are depreciated or depleted separately on the unit of production method based on estimated proven recoverable oil and gas reserves. For purposes of calculating depreciation and depletion, natural gas production and reserves are converted to equivalent units of crude oil based on the relative energy content of each commodity.

Annual costs incurred in the other cost centres are amortized on a straight line basis over the period during which exploration activity in each cost centre is expected to continue. When exploration proves to be successful, as when an indicated commercial discovery is made, amortization is suspended and the unamortized balance of the cost centre is depleted on the unit of production method when production commences. When exploration proves to be unsuccessful and the cost centre is condemned or abandoned, the unamortized balance of that cost centre is charged to earnings at that time.

Depreciation of other plant and equipment is provided on either the unit of production method or the straight line method as appropriate. Annual straight line depreciation rates range from 2.0% to 25.0%.

(f) Deferred Charges

Costs relating to the removal of overburden from oil sands which will be mined in future years are deferred and are charged to earnings when the related oil sands are mined.

The Corporation defers costs incurred on feasibility studies involving economic evaluation and preliminary engineering relating to certain transportation, production and other projects. Upon completion of studies leading to the commencement of a project or enhancement of an existing project the applicable expenditures are transferred to property, plant and equipment and are charged to earnings based on the estimated useful life of the project, otherwise, all associated costs are charged to earnings at that time.

Certain costs relating to the Corporation's marketing reidentification program are deferred and amortized on a straight line basis over the periods during which benefits are expected to be realized.

(g) Federal Petroleum Compensation Program

Under the oil compensation program the Federal Government compensates eligible importers for a portion of certain costs with respect to petroleum consumed in Canada, provided they maintain prices for certain products at levels not to exceed those suggested by the Government. Compensation received under the program is reflected as a reduction of crude oil and product purchases. The Federal Government also compensates producers of synthetic crude oil. Compensation received by the Corporation for its share of production from the Syncrude Project is included in operating revenue.

(h) Income Taxes

The Corporation makes full provision for income taxes deferred as the result of claiming depreciation, exploration, development and other costs for income tax purposes which differ from the related amounts charged to expense in the financial statements. The Corporation accounts for investment tax credits on the flow-through method.

(i) Translation of Foreign Currency

Current assets, except inventories and prepaid expenses, current liabilities and long-term debt are translated at rates of exchange in effect at the balance sheet date. Long-term assets, inventories, prepaid expenses, deferred income taxes and redeemable preferred shares are translated at rates of exchange in effect at the respective transaction dates. Revenue and expense items are translated at the average rates of exchange in effect during the year, except for depreciation, depletion and amortization which reflect rates of exchange at the date when the assets were acquired.

The resulting exchange gains or losses are included in earnings, except for unrealized exchange gains or losses arising on translation of long-term debt which are deferred and amortized over the remaining term of the debt.

Foreign operations are integrated with the Corporation's other activities and are translated in the above described manner.

(j) Pension Plans

Costs of pension benefits for current services of employees are funded and charged to earnings as they accrue. Costs arising from amendments to pension plans which relate to services of employees in prior years and experience deficiencies are funded in accordance with applicable pension legislation and charged to earnings over periods not exceeding fifteen years.

2. Change in Accounting Policy

Effective January 1, 1984 the Corporation changed its method of accounting for translation of foreign currency in accordance with the recommendations issued by the Canadian Institute of Chartered Accountants (Note 1(i)).

Prior to 1984, the long-term debt repayable in foreign currencies was translated at rates of exchange in effect when the debt was incurred and exchange gains or losses were included in earnings as realized. While the effect of this change on the current year's earnings is not material, a deferred charge of $9,085,000 has been recognized at December 31, 1984 (Note 7).

This change, which would not have had a material effect on 1983 earnings, has been applied prospectively.

3. Acquisitions

(a) Petro-Canada Products Inc. ("Products")

Pursuant to a tender offer dated February 28, 1983 the Corporation committed to acquire all of the outstanding voting and non-voting shares of Products (formerly BP Refining and Marketing Canada Limited) for an aggregate consideration (including estimated expenses) of $419,805,000.

Effective March 1, 1983 the Corporation acquired 100% of the voting shares and 9.4% of the non-voting shares for a consideration of cash and accrued expenses of $121,586,000. During 1984 the Corporation acquired an additional 0.4% of the outstanding non-voting shares for a cash consideration of $1,165,000, which increased its interest to 9.8% of the non-voting shares. Under the offer the Corporation has agreed to acquire all of the outstanding non-voting shares, not previously acquired, in 1985 at a purchase price which reflects an escalation of the initial price offered in recognition of an interest factor. Accordingly, the minority interest is stated at the estimated cost of acquiring all of the outstanding non-voting shares not already acquired by the Corporation.

Details of the acquisition, which has been accounted for by the purchase method, are as follows:

Book value of acquired assets		508,123
Book value of assumed liabilities		(378,732)
		129,391
Excess of attributed value over book value of acquired net assets:		
Refining and marketing	286,089	
Long-term debt	4,325	290,414
Net assets acquired at attributed value		419,805
Minority interest at December 31, 1984 (Note 9)		297,054
Consideration to December 31, 1984		122,751

During the period January 1 to February 20, 1985 the Corporation acquired an additional 87.4% of the outstanding non-voting shares for an aggregate consideration of $288,275,000, increasing its interest to 97.2% of the non-voting shares. Funds were provided from cash held for use in tender offer of $123,000,000 (Note 5) and from an issue of long-term debt of $165,275,000. The offer is open until February 25, 1985 and it is proposed that the Corporation will redeem, on or before May 27, 1985, any shares not acquired under the offer at $15.34 per share.

(b) Panarctic Oils Ltd. ("Panarctic")

During 1984 the Corporation acquired additional common shares in Panarctic in consideration for exploration expenditures incurred, and maintained its interest at 54.4% of the outstanding common shares.

4. Inventories

Inventories consist of:

	1984	1983
Crude oil, refined products and merchandise	768,774	601,100
Materials and supplies	76,941	109,906
	845,715	711,006

5. Investments

Investments consist of:

	1984	1983
At equity		
Petro-Canada Centre	222,505	86,353
Westcoast Transmission Company Limited	176,984	173,949
Sedpex Inc.	20,952	18,133
Other	4,418	4,247
At cost		
Cash held for use in tender offer (Note 3)	131,879	
Mortgages and other investments	43,114	29,587
Canertech Inc.		
	599,852	312,269

Petro-Canada Centre

At December 31, 1984 the Corporation held 50% of a joint venture which owns Petro-Canada Centre, an office complex in Calgary. The Corporation has entered into a long-term lease for use of a portion of the complex (Note 20) and has guaranteed $64,500,000 of long-term debt related to the facility.

Westcoast Transmission Company Limited ("Westcoast")

At December 31, 1984 the Corporation held 31.2% of the total outstanding common shares of Westcoast.

The value assigned to the investment in Westcoast, when it was acquired by the Corporation, and the cost of subsequent share purchases exceeded the underlying net book value at the dates of acquisition. This excess is being amortized over the estimated useful lives of the underlying assets to which it is attributed by charges against the Corporation's share of Westcoast's net earnings.

Westcoast is a regulated utility and is subject to regulatory directives which may change the components of the cost of service. Changes resulting from such directives do not have a direct effect on net earnings due to rate of return on rate base considerations which are also taken into account in the regulatory process.

At December 31, 1984 and 1983, the quoted market value of the Corporation's investment in Westcoast was $190,924,000.

Sedpex Inc.

At December 31, 1984 the Corporation held 50% of the total outstanding common shares of Sedpex Inc., a company which owns a semi-submersible drilling vessel. This vessel is under lease to the Corporation (Note 20).

Canertech Inc. ("Canertech")

The accounts of Canertech, a wholly-owned subsidiary company, have been excluded from consolidation because a formal plan exists to dispose of the investment in the subsidiary. In response to a directive by the Government of Canada, the Corporation incorporated Canertech in 1981 to develop alternate energy sources. At that time the Government indicated its intention of purchasing the Corporation's investment at cost and establishing Canertech as an independent Crown corporation. During 1984 the Government directed the Corporation to bring about the dissolution of Canertech. The Corporation's investment in Canertech is carried in the accounts at its original cost of $1.

6. Property, Plant and Equipment

Property, plant and equipment consists of:

	1984			1983
	Cost*	Accumulated Depreciation, Depletion and Amortization	Net	Net
Oil and gas				
Canada				
—Non-frontier areas	3,748,266	649,700	3,098,566	3,024,133
—Frontier areas	1,139,088	214,890	924,198	778,585
Foreign	142,824	60,221	82,603	60,977
Refining and marketing	1,602,230	208,962	1,393,268	1,361,741
Oil sands				
Syncrude Project and related leases	574,653	73,947	500,706	484,610
Other oil sands leases and expenditures thereon	265,052	49,791	215,261	162,997
Natural gas liquids	183,765	50,965	132,800	134,418
Other property and equipment	337,463	79,499	257,964	240,228
	7,993,341	1,387,975	6,605,366	6,247,689

*Cost is net of related Petroleum Incentive Program grants.

7. Deferred Charges

Deferred charges consist of:

	1984	1983
At cost		
Oil sands overburden removal costs	41,511	38,208
Less portion related to oil sands to be mined within one year	10,730	7,734
	30,781	30,474
Polar Gas Project	18,651	17,626
At amortized cost		
Marketing reidentification	35,274	30,202
Translation adjustment on long-term debt	9,085	
Other	5,415	360
	99,206	78,662

8. Long-Term Debt

Long-term debt consists of:

	Maturity	1984	1983
In Canadian dollars			
8.25% unsecured notes	1993	14,375	14,143
Promissory notes, bearing interest at prime rate	1985	13,192	15,692
Unsecured loans, bearing interest at prime rate to ½% above prime rate	1985	9,500	26,722
5.75% unsecured notes	1986	6,961	8,265
Other loans and long-term obligations	1985-1997	1,923	10,222
In United States dollars			
9% unsecured notes ($45,000,000 US)	1996	59,466	57,976
7.75% unsecured notes ($16,000,000 US)	1993	21,142	16,191
8.45% unsecured notes ($15,000,000 US)	1987	19,821	23,992
5.25% unsecured notes ($6,500,000 US)	1985	8,589	12,835
5.75%—6.25% mortgages ($1,574,000 US)	1988	2,080	2,370
		157,049	188,408
Less current portion		47,102	30,252
		109,947	158,156

Repayment of long-term debt

The minimum repayment of long-term debt in each of the next five years is as follows:

1985	47,102,000
1986	19,364,000
1987	13,039,000
1988	7,317,000
1989	7,315,000

9. Minority Interest in Subsidiaries

Minority interest in subsidiaries consists of:

	1984	1983
Panarctic		
Common shares	138,278	135,254
Equity in earnings	(15,519)	(10,558)
	122,759	124,696
Petro-Canada Products Inc.		
Non-voting common shares	297,054	298,219
	419,813	422,915

10. Redeemable Preferred Shares

The redeemable preferred shares, which were issued by a subsidiary to a group of Canadian chartered banks, are floating rate, cumulative, redeemable and non-voting. The shares are redeemable, at the option of the subsidiary, at $100 U.S. per share, plus accrued dividends. In 1984 the subsidiary exercised its option to redeem 700,000 shares (1983—$600,000 shares) for a consideration of $70,000,000 U.S. (1983—$60,000,000 U.S.) and 11,200,000 shares were outstanding at December 31, 1984.

Under the terms of an agreement between the banks and the Corporation, in the event that the subsidiary does not exercise its option to redeem the shares over a nine year period ending December 31, 1993, or in the event of certain other occurrences under the provisions of the agreement, the banks have the option to require the Corporation to purchase the shares at $100 U.S. per share, plus accrued dividends. These annual options increase from $75,000,000 U.S. to $170,000,000 U.S. over the remaining period.

Cumulative dividends, payable quarterly, are, at the option of the subsidiary, based on a percentage of either the United States Base Rates or the London Inter-Bank Offered Rates of the banks. At December 31, 1984, the dividend rate was approximately 6% per annum.

11. Capital

Authorized

In the aggregate the authorized capital is:

(a) 71,188 common shares with a par value of $100,000 each.

(b) Preferred shares issued to the Government of Canada provided that the amount of such shares together with any loans received, and outstanding, from the Consolidated Revenue Fund of the Government of Canada is not in excess of $1 billion.

Issued (to the Government of Canada):

	1984		1983	
	Number of Shares	Consideration	Number of Shares	Consideration
Common Shares				
Balance at beginning of year	27,633	2,763,300	21,221	2,122,100
For cash	4,250	425,000	3,675	367,500
For funds received from the Canadian Ownership Account			2,737	273,700
Balance at end of year	31,883	3,188,300	27,633	2,763,300
Preferred Shares				
Balance at beginning and end of year	972,771,853	972,772	972,771,853	972,772
Total Capital at End of Year		4,161,072		3,736,072

The preferred shares have a par value of $1 each, are redeemable at par at the option of the Corporation, carry no stated rate of dividend and are non-cumulative.

12. Taxes Other than Income Taxes

Taxes other than income taxes consist of:

	1984	1983
Federal sales tax	184,508	148,327
Petroleum and gas revenue tax	118,536	106,850
Other	40,740	30,459
	343,784	285,636

13. Income Taxes

The provision for income taxes of $358,892,000 (1983—$248,966,000) represents an effective rate of 59.3% (1983—66.2%) on earnings before income taxes of $605,463,000 (1983—$376,206,000). The computation of the provision, which requires adjustment to earnings before income taxes for non-taxable and non-allowable items, is as follows:

	1984	1983
Earnings before income taxes	605,463	376,206
Add (deduct)		
Royalties and other payments to provincial governments	327,560	302,698
Federal allowances		
Resource allowance	(245,909)	(221,470)
Tax depletion	(29,268)	(31,157)
Inventory allowance	(10,498)	(22,560)
Petroleum and gas revenue tax	118,536	106,850
Non-deductible amortization of excess of attributed value over book value of assets acquired on purchase of subsidiary companies	83,566	63,966
Non-deductible depreciation, depletion and amortization	24,284	21,646
Equity in earnings of affiliates	(20,536)	(24,227)
Foreign exchange (gains) losses	(4,846)	8,846
Other	291	2,066
Earnings as adjusted before income taxes	848,643	582,864
Canadian federal income tax at 46% (1983—46.9%) applied to earnings as adjusted	390,376	273,363
Provincial and other income taxes, net of federal abatement	3,721	9,909
Deduct tax rebates and credits		
Federal investment tax credit	(18,829)	(18,025)
Provincial income tax rebate plans	(9,080)	(14,211)
Scientific research tax credits	(7,296)	(2,070)
Provision for income taxes	358,892	248,966

14. Working Capital Provided from Operations

Working capital provided from operations consists of:

	1984	1983
Net earnings before extraordinary items and dividends on redeemable preferred shares	251,532	133,063
Add (deduct)		
Depreciation, depletion and amortization	367,911	329,897
Deferred income taxes	331,056	227,788
Equity earnings, net of dividends received	(5,302)	(9,900)
Other	(5,668)	(4,533)
	939,529	676,315

15. Change in Components of Operating Working Capital

The increase (decrease) in operating working capital consists of the following movements during the year:

	1984	1983
Accounts receivable	40,018	38,274
Inventories	134,709	(44,285)
Income taxes recoverable	(4,229)	55,892
Deposits and prepaid expenses	2,720	6,237
Accounts payable and accrued liabilities	(15,382)	(141,780)
Current portion of long-term debt	(16,850)	43,034
Operating working capital deficiency acquired upon acquisition of BP Refining and Marketing Canada Limited		8,143
	140,986	(34,485)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Continued*

16. Pension Plans

Based on the most recent actuarial valuations of the Corporation's pension plans the unfunded past service pension obligations at December 31, 1984 are approximately $54,000,000. All accrued, including vested, benefits at December 31, 1984 are fully funded.

17. Material Transactions with Related Parties

The Corporation has transactions with the Government of Canada and its agencies which are in the normal course of business and are therefore on the same terms as those accorded to non-related parties.

18. Segmented Information

The Corporation operates principally in the following business segments:

Natural Resources

Exploration, development and production activities for crude oil, natural gas, field liquids, sulphur, oil sands, coal and minerals; extraction of liquids from natural gas; transportation, distribution and marketing of the natural gas liquids.

Refined Oil Products

Purchase and sale of crude oil; refining crude oil into oil products; distribution and marketing of these and other purchased refined oil products.

The financial results of operations by business segment are as follows:

	Natural Resources		Refined Oil Products		Eliminations		Total	
	1984	1983	1984	1983	1984	1983	1984	1983
Sales to customers	1,450,252	1,175,122	3,431,041	2,948,695			4,881,293	4,123,817
Inter-segment transfers	88,572	216,016			(88,572)	(216,016)		
Total Operating Revenue	1,538,824	1,391,138	3,431,041	2,948,695	(88,572)	(216,016)	4,881,293	4,123,817
Product costs and operating expenses	534,472	467,705	2,809,601	2,551,819	(88,572)	(216,016)	3,255,501	2,803,508
Depreciation, depletion and amortization	254,473	221,981	85,494	86,998			339,967	308,979
Taxes other than income taxes	121,688	109,713	222,096	175,923			343,784	285,636
Total Operating Expenses	910,633	799,399	3,117,191	2,814,740	(88,572)	(216,016)	3,939,252	3,398,123
Operating Earnings	628,191	591,739	313,850	133,955			942,041	725,694
Marketing, general and administrative expenses							(407,442)	(345,744)
Provision for income taxes							(358,892)	(248,966)
Investment and other income							110,132	48,526
Other depreciation and amortization							(27,944)	(20,918)
Interest on long-term debt							(11,324)	(29,027)
Minority interest							4,961	5,823
Other interest								(2,325)
							(690,509)	(592,631)
Earnings Before Extraordinary Items and Dividends on Redeemable Preferred Shares							251,532	133,063

Inter-segment transfers are accounted for at market value.

Natural resources segment revenue consists of:

	1984	1983
Crude oil and field liquids	867,366	799,582
Natural gas liquids	325,058	319,594
Natural gas	284,522	238,220
Other	61,878	33,742
	1,538,824	1,391,138

Refined oil products segment revenue consists of:

	1984	1983
Gasoline	1,813,981	1,545,048
Distillates	1,025,140	872,508
Other	591,920	531,139
	3,431,041	2,948,695

The identifiable assets at December 31, and the capital expenditures for the year, by business segment, are as follows:

	Identifiable Assets		Capital Expenditures*	
	1984	1983	1984	1983
Natural resources	5,514,126	5,201,776	969,455	835,664
Refined oil products	2,652,369	2,426,954	141,885	110,924
Other	888,787	610,295	204,900	83,460
	9,055,282	8,239,025	1,316,240	1,030,048

*Capital expenditures are before deduction of related Petroleum Incentive Program grants.

Other identifiable assets include cash and short-term deposits, investments in other companies, general corporate assets and miscellaneous corporate ventures.

19. Comparative Figures

Certain reclassifications have been made to the 1983 comparative figures to conform with the current year's presentation.

20. Commitments and Contingencies

(a) Commitments

The Corporation has leased certain offshore drilling vessels and ancillary equipment for periods of one to five years. The offshore vessels are used by the Corporation during the Canadian drilling season and the rentals are shared with joint venture participants. The vessels are available for sublease when not required by the Corporation.

The gross lease rentals for the offshore vessels together with minimum annual rentals for Petro-Canada Centre (Note 5) and other non-cancellable operating leases are estimated at $166,000,000 in 1985, $137,000,000 in 1986, $100,000,000 in 1987, $44,000,000 in 1988, $29,000,000 in 1989 and $14,000,000 per year thereafter until 2008.

(b) Contingencies

The Corporation is involved in litigation and claims associated with normal operations. Management is of the opinion that any resulting settlements would not materially affect the financial position of the Corporation.

APPENDIX

CANERTECH INC.

AUDITORS' REPORT

TO THE SHAREHOLDER OF CANERTECH INC.

We have examined the Balance Sheet of Canertech Inc. (a wholly-owned subsidiary of Petro-Canada) as at December 31, 1984 and the Statements of Loss and Deficit and Changes in Financial Position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles, which, except for the changes explained in Note 1, have been applied on a basis consistent with that of the preceding year.

BURKE, NEWMAN & CO.
Chartered Accountants

Winnipeg, Canada
August 21, 1985

BALANCE SHEET DECEMBER 31, 1984
(in thousands of dollars)

ASSETS	1984
Cash and term deposits	13,596
Due from Energy, Mines and Resources Canada (Note 2)	2,410
Investment in Canertech Conservation Inc. (Note 3)	4,261
Other investments (Notes 4 and 12)	1,175
Fixed assets (Note 12)	175
Income taxes recoverable (Note 5)	680
Other assets	39
	22,336

LIABILITIES AND SHAREHOLDER'S DEFICIT	1984
Accounts payable and accrued liabilities	122
Obligation under capital leases (Note 12)	103
Accrual for dissolution costs (Notes 6 and 12)	6,196
Advances from the Government of Canada (Note 7)	31,800
Commitments (Note 10)	
	38,221
Shareholder's Deficit	
Share capital (Note 8)	
Deficit	15,885
	15,885
	22,336

The accompanying notes are an integral part of this balance sheet.

Approved on behalf of the Board:

G. M. WILSON
Director

F. B. GRANT
Director

STATEMENT OF LOSS AND DEFICIT
YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984
Income	
Interest income	1,897
Equity in loss of Canertech Conservation Inc.	(363)
	1,534
Administrative expenses	1,842
Loss before extraordinary item	308
Extraordinary item (Note 9)	9,861
Net loss for the year	10,169
Deficit, beginning of year	5,716
Deficit, end of year	15,885

The accompanying notes are an integral part of this statement.

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984
Source of funds	
Loss before extraordinary item	308
Deduct: items not affecting funds	
Amortization and depreciation	75
Equity in loss of Canertech Conservation Inc.	363
Funds provided from operations	130
Decrease in other assets	31
	161
Use of funds	
Increase in amount due from Energy, Mines and Resources Canada	2,260
Net advances to investees	2,434
Purchase of fixed assets, net	44
Decrease in accounts payable	178
Decrease in obligation under capital leases	21
	4,937
Decrease in cash and term deposits	4,776
Cash and term deposits, beginning of year	18,372
Cash and term deposits, end of year	13,596

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984

Order-in-Council

On December 21, 1984, the Government of Canada issued Order-in-Council P.C. 1984-4187 whereby the parent corporation was directed to bring about the dissolution of Canertech Inc. and take such steps as are necessary to dispose of the existing investment portfolio with the provision that Canertech Conservation Inc., a wholly-owned subsidiary of Canertech Inc., be continued with the expressed intent of replacing Crown ownership with private Canadian ownership.

1. Summary of significant accounting policies

   (a) Basis of accounting

   Prior to 1984, the subsidiaries of Canertech Inc. were consolidated with the accounts of the company. Consistent with the terms of the Order-in-Council, these financial statements have been prepared on the liquidation basis with the exception of the investment in Canertech Conservation Inc. Assets have been presented at their estimated net realizable values before costs of dissolution.

   Canertech Conservation Inc. is accounted for by the equity method as management believes that consolidation of this subsidiary with Canertech Inc. would not result in a more informative financial presentation.

   (b) Comparative figures

   As the 1983 financial statements were prepared on a going-concern basis, no comparative figures have been provided.

2. Due from Energy, Mines and Resources Canada

   These amounts arose from the corporation's participation in the Ethanol-from-Cellulose development program and the Societe Biosyn (Reg'd) joint venture. Prior to the above mentioned Order-in-Council, the corporation was to be reimbursed for these amounts by Energy, Mines and Resources Canada. It is anticipated that the ultimate settlement of these amounts will require the direction of the Treasury Board of the Government of Canada and may involve a set-off against the advances from the Government of Canada.

3. Investment in Canertech Conservation Inc.

   Canertech Conservation Inc., a wholly-owned subsidiary of the corporation, enters into contracts to design, install and finance energy retrofit measures identified through energy studies performed on the clients' facilities. These energy conservation retrofit contracts permit the client to undertake energy conservation projects without any outlay of capital and to repay these retrofit costs from realized energy savings.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

The investment is accounted for on the equity method as follows:

	(in thousands of dollars)
Investment, at cost	5,245
Losses incurred to date	984
	4,261

Condensed financial information from Canertech Conservation Inc.'s December 31, 1984 consolidated financial statements is as follows:

Condensed consolidated balance sheet

	1984	1983
	(in thousands of dollars)	
Assets		
Cash and other assets	1,741	1,839
Retrofit contracts	1,333	4
Investment in Econoler Inc., at cost	1,225	1,225
Fixed assets	204	145
Royalties, license and deferred costs	448	366
	4,951	3,579
Liabilities and shareholder's deficit		
Accounts payable and other	395	143
Non-current advances from Canertech Inc.	5,245	3,970
Deferred revenue	89	
Minority interests	206	86
Shareholder's deficit	(984)	(620)
	4,951	3,579

Condensed consolidated statement of loss and deficit

	(in thousands of dollars)	
Contract revenue	243	50
Cost of contracts	(244)	(57)
Other income	388	150
Administrative expenses net of amount applied to contracts	(778)	(584)
Minority interests in loss	27	14
Net loss for the year	364	427
Deficit, beginning of year	620	193
Deficit, end of year	984	620

4. Other investments

As of December 31, 1984, the corporation held a majority interest in Mechron Energy Ltd., Hunter Enterprises Orillia Limited, Sparfil International Inc. and Trecan Limited, an interest in Pacific Enercon Inc. and Valera Electronics Inc. and joint venture interests in Societe Biosyn (Reg'd) and Omnifuel Gasification Systems, the latter through a wholly-owned subsidiary, 107744 Canada Inc. The corporation is negotiating to dispose of these investments; consequently, these investments are recorded at estimated net realizable values before costs of disposition.

5. Income taxes recoverable

This amount represents the recovery of all income taxes previously paid by the corporation.

The benefits resulting from any future income tax reductions have not been recorded in these financial statements.

6. Accrual for dissolution costs

The accrual for dissolution costs represents management's anticipation of costs to complete the disposition of assets, including interim funding requirements, employee termination arrangements and settlement of liabilities. Should the corporation not conclude the disposition of investments as currently contemplated by management, additional costs may be incurred.

7. Advances from the Government of Canada

The advances are without requirement for interest or repayment.

8. Share capital

Authorized—An unlimited number of common shares

Issued and fully paid—1 common share for $1

9. Extraordinary item

The extraordinary item results from the adjustments required to present the financial statements on the liquidation basis and includes equity in the losses of other investments, income tax recovery, write-down of assets and accrual for dissolution costs.

10. Commitments

Canertech Conservation Inc. has committed a maximum of approximately $2,000,000 to subscribe proportionately with the minority shareholders for shares of its operating subsidiaries and to make advances of approximately $4,300,000 as may be required to support the growth of subsidiaries. In addition, the subsidiaries have committed to complete retrofit contracts and energy studies with costs in excess of current resources of approximately $2,000,000 which may require future funding by Canertech Inc.

11. Contingencies

The corporation is a defendant in legal actions amounting to approximately $77 million and legal counsel is of the opinion that the actions are without foundation and accordingly, no provision for such claims has been made in the accounts of the company.

12. Events subsequent to year end

In accordance with the Order-in-Council directing the dissolution of the corporation, the following events have occurred subsequent to year end:

The corporation has disposed of its investments in Mechron Energy Ltd. and Pacific Enercon Inc. at the values recorded. The proceeds of disposition include a promissory note in the amount of $350,000 due without interest in seven equal annual installments.

Negotiations were at an advanced stage for the divestiture of the corporation's interest in Societe Biosyn (Reg'd), Omnifuel Gasification Systems and Trecan Limited.

Further funding of approximately $950,000 was advanced to Canertech Conservation Inc., the majority of which was on account of the commitments disclosed in Note 10.

The fixed assets were disposed of at the values recorded. As part of this disposition, the purchaser accepted the obligation under capital leases.

Of the $6,196,000 accrual for dissolution costs approximately $2,100,000 was expended during the six months ended June 30, 1985.

SUMMARY PAGE

PORT OF QUEBEC CORPORATION

MANDATE

Administration, management and control of the Harbour of Quebec and all the works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

The Port of Quebec Corporation was established on June 1, 1984 pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. The port is an important trans-shipment point for Canadian grain exports and has recently modernized its two grain elevators which are operated under contract by a private firm. The port handled 17.7 million tonnes of cargo in 1984 including 8 million tonnes of grain.

CORPORATION DATA

HEAD OFFICE	150 Dalhousie St. P.O. Box 2268 Québec, Québec G1K 7P7
STATUS	— Schedule C, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	June 1, 1984; letters patent of incorporation issued by the Minister of Transport pursuant to Section 6.2(1) of the *Canada Ports Corporation Act*.
CHIEF EXECUTIVE OFFICER	Henri Allard
CHAIRMAN	Ross Gaudreault
AUDITOR	Thorne Riddell

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	Seven months* to Dec. 31, 1984
At year end	
Total Assets	83.6
Obligations to the private sector	nil
Obligations to Canada	nil
Equity of Canada	79.7
Cash from Canada in the period	
— budgetary	nil
— non-budgetary	nil

* The corporation began operations on June 1, 1984.

PORT OF QUEBEC CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DONALD MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of the Port of Quebec Corporation as at December 31, 1984, the statement of income and deficit and the statement of the changes of the financial position for the seven months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Port as at December 31, 1984, and the results of its operations and the changes of its financial position for the seven month period then ended in accordance with generally accepted accounting principles.

Further in our opinion, the transactions of the Corporation which have come to our notice during our audit of the financial statements were, in all important aspects, consistent with the Financial Administration Act and its regulations, the Canada Ports Corporation Act and the letters patent and by-laws of the Corporation.

THORNE RIDDELL
Chartered Accountants

Quebec City, Canada
February 20, 1985

BALANCE SHEET AS AT DECEMBER 31, 1984

ASSETS	1984	
	$	
Current		
Cash	288,267	
Investments (quoted market price: $30,341,504)	30,205,593	
Accounts receivable	5,479,237	
Materials and supplies	62,986	36,036,083
Investments		
Canada government bonds (quoted market price: $6,468,502)		6,571,166
		42,607,249
Fixed (Note 3)		41,031,689
		83,638,938

LIABILITIES	1984	
	$	
Current		
Accounts payable and accrued liabilities	2,059,188	
Grants in lieu of municipal taxes	456,450	
Deferred revenues	710,067	3,225,705
Long-term		
Accrued employee benefits		739,700
		3,965,405
EQUITY OF CANADA		
Contributed capital	107,251,631	
Deficit	27,578,098	79,673,533
		83,638,938

On behalf of the Board:

J. E. FORTIER
Chairman

HENRI ALLARD
General Manager and
Chief Executive Officer

STATEMENT OF INCOME AND DEFICIT
FOR THE SEVEN MONTHS ENDED DECEMBER 31, 1984

	1984	
	$	
Revenue from operations		8,509,154
Expenses		
Depreciation	1,097,127	
Administrative and operating expenses	4,381,969	
Grants in lieu of municipal taxes	586,749	6,065,845
Income from operations		2,443,309
Other income		
Investment income		2,458,436
Net income		4,901,745
Deficit transferred from Canada Ports Corporation at beginning of period		32,479,843
Deficit at end of period		27,578,098

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE SEVEN MONTHS ENDED DECEMBER 31, 1984

	1984	
	$	
Source of working capital		
Operations		
Net income		4,901,745
Items not affecting working capital		
Amortization of discount on Canada government bonds	(15,359)	
Depreciation	1,097,127	
Loss on disposal of fixed assets	4,586	
Accrued employee benefits	(116,500)	969,854
		5,871,599
Proceeds on disposal of fixed assets		1,751
		5,873,350
Application of working capital		
Additions to fixed assets		2,703,926
Increase in working capital		3,169,424
Working capital transferred from Canada Ports Corporation at beginning of period		29,640,954
Working capital at end of period		32,810,378

NOTES TO FINANCIAL STATEMENTS
FOR THE SEVEN MONTHS ENDED DECEMBER 31, 1984

1. Incorporation

The Port of Quebec Corporation was established June 1, 1984, under s. 6.2(1) of the Canada Ports Corporation Act. On that date, in accordance with the Canada Ports Corporation Act, the assets, liabilities and equity of the Port of Quebec were transferred to the Port of Quebec Corporation at the book value shown in the accounts of the Canada Ports Corporation as at May 31, 1984.

2. Statement of significant accounting policies

(a) Investments

Investments are direct and guaranteed securities of Canada. They are shown at amortized cost and the premium or discount is amortized over the periods to maturity.

(b) Fixed assets

Fixed assets are recorded at cost, except for those transferred from Canada to the Corporation, which are recorded at appraised value or at the fair market value determined at the time of transfer. Grants for capital projects received from Canada and third parties are credited directly at the cost of the related fixed assets.

Depreciation is calculated according to the straight-line method, once the asset becomes operational, for the entire year, using the following annual rates:

Dredging	2.5-6.7%
Berthing structures	2.5-10%
Buildings	2.5-10%
Utilities	3.3-10%
Roads and surfaces	2.5-10%
Machinery and equipment	5-100%
Office furniture and equipment	20%

(c) Cost of pension plan

The Public Service Superannuation Plan, administered by Canada, covers all permanent employees of the Corporation. These employees and the Corporation must contribute to this plan. The annual contributions represent the liability of the Corporation in this regard and are applied against the operating expenses for the current business year.

(d) Insurance

The Port of Quebec Corporation assumes all liability with respect to compensation claims for occupational injury. The expenses that may result are applied in the year in which they can reasonably be estimated.

(e) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is determined based on the estimated municipal assessment, adjusted in accordance with the Municipal Grants Act. The grants are paid after they have been audited by the Municipal Grants division of the department of Public Works. Any subsequent adjustment is recorded in the accounts of the business year in which the final amount is remitted.

(f) Employee benefits

Each year, the Corporation accrues in its accounts the estimated liability that results from benefits for the termination of employment, vacation, sick leave and compensatory leave for overtime; these benefits are payable to the employees in subsequent years under the collective labour agreements or according to corporate policy.

3. Fixed assets

	Cost Price	Accumulated depreciation	Net amount
	$	$	$
Land	11,043,602		11,043,602
Dredging	4,561,341	3,839,064	722,277
Berthing structures	21,792,125	15,078,150	6,713,975
Buildings	28,494,520	11,384,178	17,110,342
Utilities	3,206,207	1,691,713	1,514,494
Roads and surfaces	5,226,635	2,156,309	3,070,326
Machinery and equipment	360,919	329,956	30,963
Office furniture and equipment	201,624	113,107	88,517
Works under construction	737,193		737,193
	75,624,166	34,592,477	41,031,689

4. Contingencies

Claims totalling some $5.5 million have been received by the Corporation in respect of lawsuits, warranties, collective agreements, damages allegedly suffered on Corporation property and various other matters in dispute. These amounts do not appear in the financial statements. In the Corporation's view, its position is defensible and these claims should not result in any material financial liability.

SUMMARY PAGE

PRINCE RUPERT PORT CORPORATION

MANDATE

Administration, management and control of the Prince Rupert Harbour and all the works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

The Prince Rupert Port Corporation was established on June 1, 1984 pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. The port recently completed development of a new site on Ridley Island. A modern high-efficiency grain elevator and coal shipment terminal (constructed by private interests) went into service at this site in 1984.

CORPORATION DATA

HEAD OFFICE	110 Third Avenue, West Prince Rupert, British Columbia V8J 1K8
STATUS	— Schedule C, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATON	June 1, 1984; letters patent of incorporation issued by the Minister of Transport pursuant to Section 6.2(1) of the *Canada Ports Corporation Act*.
CHIEF EXECUTIVE OFFICER	Kenneth R. Krauter
CHAIRMAN	W.J. Scott
AUDITOR	Thorne Riddell

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	Seven months* to Dec. 31, 1984
At the end of the year	
Total Assets	79.6
Obligations to the private sector	nil
Obligations to Canada	87.6
Equity of Canada	(10.0)
Cash from Canada in the period	
— budgetary	1.2
— non-budgetary	nil

* The corporation began operations on June 1, 1984.

PRINCE RUPERT PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DONALD MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of Prince Rupert Port Corporation as at December 31, 1984 and the statements of income and deficit and changes in financial position for the seven months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the seven months then ended in accordance with generally accepted accounting principles.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act, and the Letters Patent and By-laws of the Corporation.

THORNE RIDDELL
Chartered Accountants

Vancouver, Canada
January 30, 1985

BALANCE SHEET AS AT DECEMBER 31, 1984

ASSETS	1984	
	$	
Current Assets		
Cash	61,970	
Investments (Note 3)	5,840,910	
Accounts receivable	611,315	
Due from Canada	82,839	
Materials and supplies	73,470	
		6,670,504
Fixed Assets (Note 4)		72,919,342
		79,589,846

LIABILITIES	1984	
	$	
Current Liabilities		
Accounts payable and accrued liabilities	616,615	
Grants in lieu of municipal taxes	963,822	
Deferred revenues	343,941	
		1,924,378
Long-term Debt		
Loans from Canada (Note 5)	38,110,991	
Recoverable contribution from Canada (Note 6)	49,511,928	
		87,622,919
EQUITY OF CANADA		
Contributed capital	678,275	
Deficit	10,635,726	
		(9,957,451)
		79,589,846

On behalf of the Board:

W. J. SCOTT
Chairman

K. R. KRAUTER
General Manager

STATEMENT OF INCOME AND DEFICIT SEVEN MONTHS ENDED DECEMBER 31, 1984

		1984
		$
Revenue from operations		5,903,491
Expenses		
Operating and administrative	4,547,456	
Depreciation	488,843	
Grants in lieu of municipal taxes	164,831	
		5,201,130
Income from operations		702,361
Interest income		400,579
Loss on disposal of fixed assets		(64,772)
Net income		1,038,168
Deficit at beginning of period		11,673,894
Deficit at end of period		10,635,726

STATEMENT OF CHANGES IN FINANCIAL POSITION SEVEN MONTHS ENDED DECEMBER 31, 1984

	1984
	$
Working capital derived from	
Operations	
Net income	1,038,168
Items not involving working capital	
Depreciation	488,843
Loss on disposal of fixed assets	64,772
	1,591,783
Capital grants	898,480
Recoverable contribution from Canada	254,259
Proceeds on disposal of fixed assets	37,000
	2,781,522
Working capital applied to	
Additions to fixed assets	1,517,363
Increase in working capital	1,264,159
Working capital at beginning of period	3,481,967
Working capital at end of period	4,746,126

NOTES TO FINANCIAL STATEMENTS SEVEN MONTHS ENDED DECEMBER 31, 1984

1. Local Port Corporation

The Prince Rupert Port Corporation ("the Corporation") was established effective June 1, 1984 as a local port corporation pursuant to the Canada Ports Corporation Act ("the Act"). The Corporation is exempt from income taxes.

On June 1, 1984, pursuant to the Act, all the assets and liabilities of the Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by the Canada Ports Corporation. The net liabilities assumed were recorded as contributed capital of $678,275 and a deficit of $11,673,894. Accordingly, the financial statements are prepared as though the Prince Rupert Port Corporation had operated these facilities since their inception.

2. Significant accounting policies

(a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(b) Fixed assets

Fixed assets are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the asset.

(c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Insurance

The Corporation assumes substantially all risks against fire and general perils, as well as worker compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

(e) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(f) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

3. Investments

	$
Amortized cost	5,840,910
Market value	5,857,165

NOTES TO FINANCIAL STATEMENTS
SEVEN MONTHS ENDED DECEMBER 31, 1984—*Concluded*

4. Fixed assets

(a) Summary

	Depreciation rates	Cost	Accumulated depreciation	Net
	%	$	$	$
Land		60,090,585		60,090,585
Dredging	2.5-6.7	5,177	906	4,271
Berthing structures	2.5-10	8,584,082	1,920,157	6,663,925
Buildings	2.5-10	2,003,625	227,079	1,776,546
Utilities	3.3-10	2,599,285	851,556	1,747,729
Roads and surfaces	2.5-10	2,816,685	1,041,130	1,775,555
Machinery and equipment	5-10	1,715,024	918,039	796,985
Office furniture and equipment	20	107,498	43,752	63,746
		77,921,961	5,002,619	72,919,342

(b) Capital grants

During the seven months ended December 31, 1984, the Corporation refunded to the Government of Canada $1,100,000 representing an overcontribution of capital grants and received a capital grant of $652,007 from the Province of Alberta.

5. Loans from Canada

	$
Non-interest bearing loans with indefinite due date	27,084,979
Accrued interest on loans not due and payable	11,026,012
	38,110,991

6. Recoverable contribution from Canada

A recoverable contribution of $50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island. The total contribution received and/or receivable as of December 31, 1984 was $49,511,928.

The total recoverable contribution is interest-free until April 1, 1989, and thereafter bears interest at approximately 13.9%.

Principal and interest on $48,300,000 of the contribution are repayable over 20 years, commencing on April 1, 1989, contingent upon the revenues received from a direct coal throughput surcharge. The balance of $2,100,000 is repayable on a fixed, blended principal and interest basis over 20 years, commencing on April 1, 1989.

7. Related party transactions

During the seven months ended December 31, 1984, the Port received revenue of $580,302 from Ridley Terminals Inc., a company in which the Canada Ports Corporation has a significant investment. Accounts receivable as at December 31, 1984 include $255,723 due from Ridley Terminals Inc.

SUMMARY PAGE

ROYAL CANADIAN MINT

MANDATE

To produce and arrange for the production and supply of coins of the currency of Canada; produce coins of currency of countries other than Canada; melt, assay and refine gold, silver and other metals; buy and sell gold, silver and other metals, etc.; mint coins and carry out other related activities in anticipation of profit.

BACKGROUND

The Royal Canadian Mint was a departmental agency until 1969, when it was incorporated pursuant to legislation. For minting circulating Canadian coinage it receives payment on a cost-recovery basis. Minting of numismatic and bullion coins, etc., yields profit which is paid to Canada. Occasionally it receives loans from Canada for working capital and to finance capital projects.

CORPORATION DATA

HEAD OFFICE	355 River Road Tower 'B', 6th Floor Vanier, Ontario K1A 0G8
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Stewart D. McInnes, P.C., M.P.
DEPARTMENT	Supply and Services
DATE AND MEANS OF INCORPORATION	April 1, 1969 pursuant to the *Royal Canadian Mint Act* of *Government Organization Act* 1968-69, C. 28, Section 71, (R.S.C. 1970, C. R-8).
CHIEF EXECUTIVE OFFICER	J.C. Corkery
CHAIRMAN	Raymond Hession
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	1983	1982	1981
At the end of the year				
Total assets	72.4	73.1	83.5	72.2
Obligations to the private sector	0.6	0.8	nil	nil
Obligations to Canada*	49.7	49.3	67.9	55.2
Equity of Canada	1.0	1.0	1.0	1.0
Cash from (to) Canada in the year, net				
— budgetary	nil	(24.4)	nil	(14.8)
— non-budgetary	(2.1)	(2.1)	(2.1)	(2.1)

ROYAL CANADIAN MINT

AUDITOR'S REPORT

THE HONOURABLE HARVIE ANDRE, P.C., M.P.
MINISTER OF SUPPLY AND SERVICES

I have examined the balance sheet of the Royal Canadian Mint as at December 31, 1984 and the statements of earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Royal Canadian Mint Act and by-laws of the Corporation.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
February 28, 1985

BALANCE SHEET AS AT DECEMBER 31, 1984
(in thousands of dollars)

ASSETS	1984	1983
Current		
Cash	23,814	17,949
Accounts receivable		
Government departments	3,132	2,098
Other	4,067	2,289
Inventories (Note 4)	22,870	35,295
Prepaid expenses (Note 5)	495	1,788
	54,378	59,419
Property, plant and equipment (Note 6)	17,328	13,675
Deferred expenses (Note 7)	660	
	17,988	13,675
	72,366	73,094

LIABILITIES	1984	1983
Current		
Accounts payable		
Government departments	1,031	5,444
Other	6,859	6,351
Due to Government of Canada		
Net earnings (Note 8)	44,801	33,427
Current portion of long-term loans (Note 10)	2,132	2,131
Accrued interest on long-term loans	349	373
Deferred revenues (Note 9)	567	6,683
	55,739	54,409
Long-term		
Loans from Government of Canada (Note 10)	11,763	13,735
Obligation under capital lease (Note 11)	578	768
Provision for employee termination benefits	3,286	3,182
	15,627	17,685
EQUITY OF CANADA		
Reserve for losses (Note 2)	1,000	1,000
	72,366	73,094

Approved by Management:

J. C. CORKERY
Master of the Mint

G. A. LAHAIE
Vice-President
Administration and Finance

Approved by the Board:

R. V. HESSION
Chairman

STATEMENT OF EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Revenues		
Gold Maple Leaf coins	583,976	419,682
Canadian numismatic coins	41,891	40,077
Canadian circulating coins	32,148	25,384
Foreign contracts	10,053	6,892
Refinery	4,276	3,548
Miscellaneous	1,588	2,178
	673,932	497,761
Expenses (Note 12)		
Cost of materials used	616,493	446,196
Salaries, wages and benefits	19,729	19,204
Advertising	9,673	8,842
Utilities and supplies	4,409	3,912
Transportation and communication	3,147	2,791
Professional and special services	2,921	2,823
Depreciation	2,206	1,950
Interest on long-term loans and obligation under capital lease	1,539	1,633
Building and equipment rental	1,021	1,396
Miscellaneous	1,420	1,141
	662,558	489,888
Net earnings for the year (Note 2)	11,374	7,873

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
Source of funds		
Operations		
Net earnings for the year	11,374	7,873
Items not affecting funds		
Depreciation	2,206	1,950
Provision for employee termination benefits	104	453
	13,684	10,276
Loan from Government of Canada	5,000	
Obligation under capital lease		1,006
	18,684	11,282
Application of funds		
Net earnings for the year, due to Government of Canada	11,374	7,873
Decrease in long-term loans and obligation under capital lease	7,162	2,369
Additions to property, plant and equipment	5,859	2,243
Increase in deferred expenses	660	
	25,055	12,485
Decrease in funds	6,371	1,203
Working capital at beginning of the year		
As previously reported	170	6,213
Reclassification of loans to long-term liabilities	4,840	
As restated	5,010	6,213
Working capital (deficiency) at end of the year	(1,361)	5,010

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. Authority and objectives

The Mint was incorporated in 1969 by the Royal Canadian Mint Act and is an agent of Her Majesty named in Part I of Schedule C to the Financial Administration Act. The Mint operates through the Consolidated Revenue Fund.

The objectives of the Mint are to produce coins in anticipation of profit and carry out other related activities.

2. Statutory financial limitations

At the request of the Mint and on the recommendation of the Minister of Supply and Services, the Minister of Finance may make loans to the Mint on such terms and conditions as are approved by the Governor in Council for:

(a) meeting establishment and operating expenses of the Mint, in amounts not exceeding in the aggregate $5 million;

(b) financing the costs of capital projects that are approved by the Governor in Council; and

(c) temporary purposes, in amounts not exceeding in the aggregate $1 million, and each loan shall be repaid within twelve months from the day on which the loan was made.

The total amount outstanding at any time of loans made for (a) and (b) above, shall not exceed $35 million.

Furthermore, the Mint may make provision from earnings for a reserve against possible losses but the aggregate amount in the reserve at any one time shall not exceed $1 million. The Mint's net earnings for the year shall be applied:

(a) firstly, to previous years' losses that could not be met by a charge to the reserve;

(b) secondly, to the reserve; and

(c) any excess, to the revenues of Canada.

3. Significant accounting policies

(a) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date. Assets and liabilities denominated in foreign currency at the balance sheet date are translated into Canadian dollars at the exchange rate in effect at that date.

(b) Inventories

Raw materials, work in process and finished goods are valued at the lower of cost and net realizable value, cost being determined by the average cost method.

Operating and maintenance supplies are valued at the lower of cost and replacement cost, cost being determined by the average cost method.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciated under the straight-line method at the following annual rates:

Land improvements	5%
Buildings	5%
Equipment	10%
Equipment under capital lease	20%
Leasehold improvements	50%

Expenditures relating to construction in progress are charged as incurred to property, plant and equipment. Depreciation commences in the year of completion in accordance with Corporation policy.

(d) Employee termination benefits

According to their collective agreement and terms of employment, employees are entitled to termination benefits. The liability for these benefits is recorded when earned by the employees.

(e) Pension plan

The employees of the Mint participate in the Public Service Superannuation Plan, which is administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Mint. These contributions represent the Mint's total liability and are recorded on a current basis.

4. Inventories

	1984	1983
	(in thousands of dollars)	
Raw materials	15,612	22,272
Work in process	1,936	2,097
Finished goods	3,200	8,490
Operating and maintenance supplies	2,122	2,436
	22,870	35,295

In order to facilitate the production of gold coins, the Mint borrows the quantity of gold required and pays interest based on the value of gold established on the London market. As at December 31, 1984, a total of 722,439 ounces were loaned and are not reflected in these financial statements. Furthermore, the Mint utilizes in its refining process approximately 135,000 ounces of gold which are not included in inventories.

5. Prepaid expenses

	1984	1983
	(in thousands of dollars)	
Metals		1,177
Insurance, postage and freight	204	257
Advertising	209	193
Other	82	161
	495	1,788

6. Property, plant and equipment

	1984			1983
	Cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Land	619		619	619
Land improvements	976	486	490	539
Buildings	13,240	5,371	7,869	6,036
Equipment	18,941	11,565	7,376	5,575
Equipment under capital lease	1,006	300	706	906
Leasehold improvements	306	38	268	
	35,088	17,760	17,328	13,675

The consolidation project of the facilities in the National Capital Region is estimated at $21.3 million. Expenditures of $2.3 million to December 31, 1984 are included under buildings.

7. Deferred expenses

Included under this caption are expenses related to the launching of the 1988 Olympic Coin Program. These expenses are recorded at cost and will be amortized over the duration of the program from 1985 to 1988 inclusively.

8. Due to Government of Canada, net earnings

	1984	1983
	(in thousands of dollars)	
Balance at beginning of the year	33,427	49,914
Net earnings for the year	11,374	7,873
Paid during the year		(24,360)
Balance at end of the year	44,801	33,427

9. Deferred revenues

	1984	1983
	(in thousands of dollars)	
Gold Maple Leaf coins		3,917
Canadian numismatic coins	567	1,483
Foreign contracts		1,283
	567	6,683

10. Loans from Government of Canada

These loans bear interest at various annual rates ranging from 7.625% to 11.625% and are repayable according to the following schedule:

	(in thousands of dollars)
1985	2,132
1986	1,532
1987	932
1988	792
1989	5,476
1990-1998	3,031
	13,895
Current portion	2,132
	11,763

The interest expense on these loans amounts to $1.4 million for the year (1983—$1.5 million).

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

11. Obligation under capital lease

The future minimum lease payments under capital lease are as follows:

	(in thousands of dollars)
1985	283
1986	283
1987	283
1988	102
Total future minimum lease payments	951
Less: amount representing interest	183
Present value of obligation under capital lease	768
Less: current portion	190
Long-term obligation under capital lease	578

The capital lease was recorded at an amount equal to the present value of the minimum lease payments using an implicit lease interest rate of 14.3%. This obligation expires in 1988.

12. Expenses

Expenses include the cost of goods sold detailed as follows:

	1984	1983
	(in thousands of dollars)	
Materials used	616,493	446,196
Direct labour	2,336	2,337
Manufacturing overhead expenses	21,398	20,802
	640,227	469,335

13. Related party transactions

Included in these financial statements are transactions with the Department of Finance relating to the borrowing, refining and purchasing of gold and silver. These transactions were conducted in the normal course of business, under the same terms and conditions that apply to unrelated parties.

14. Commitments

The Mint introduced an early retirement program effective January 1, 1985 in an effort to minimize the adverse effects of organizational changes necessitated by the consolidation of the facilities in the National Capital Region. It follows that the Mint will face in the years 1985 through 1988 inclusively an obligation in the form of a separation allowance estimated in the aggregate at $2,187,000 which is not reflected in these financial statements.

In addition, subsequently to December 31, 1984, the Mint is committed to purchase five million ounces of silver for the 1988 Olympic Coin Program.

SUMMARY PAGE

ST. ANTHONY FISHERIES LIMITED.

MANDATE

To operate the St. Anthony's fish plant in the year 1982 in the most efficient and economic manner possible.

BACKGROUND

The corporation is inactive. Authority to dissolve it has now been granted by Parliament through Bill C-60.

CORPORATION DATA

HEAD OFFICE	Saltfish Building Torbay Road, P.O. Box 6068 St. John's, Newfoundland A1C 5X8
STATUS	— Schedule C, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable John Fraser, P.C., Q.C., M.P.
DEPARTMENT	Fisheries and Oceans
DATE AND MEANS OF INCORPORATION	82/05/21; Pursuant to the Newfoundland *Companies Act* (R.S.N., C. 54).
CHIEF EXECUTIVE OFFICER	Donald D. Tansley
CHAIRMAN	Vacant
AUDITOR	Ernest R. Spurrell

THE AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 1984 TO 1985
WERE NOT AVAILABLE AT DATE OF PRINTING

SUMMARY PAGE

ST. JOHN'S PORT CORPORATION

MANDATE

Administration, management and control of the harbour of St. John's and all the works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

St. John's Port Corporation was established on June 1, 1985 pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. Total cargo handled by the port in 1984 amounted to 1.1 million tonnes including 0.6 million tonnes in bulk petroleum products handled by private facilities; however, the port is becoming increasingly important as a supply base for servicing offshore oil development.

CORPORATION DATA

HEAD OFFICE	3 Water Street St. John's, Nfld A1C 5X8
STATUS	— Schedule C, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	Letters patent issued by the Minister of Transport pursuant to Section 6.2(1) of the *Canada Ports Corporation Act*.
CHIEF EXECUTIVE OFFICER	David Fox
CHAIRMAN	Fred Milley

FINANCIAL SUMMARY The financial year is the calendar year.

The corporation began operations after the report period ended.

NO FINANCIAL STATEMENTS FOR THE REPORT PERIOD COULD BE AVAILABLE FOR THIS CORPORATION SINCE IT WAS ESTABLISHED ONLY ON JUNE 1, 1985

ST. LAWRENCE SEAWAY AUTHORITY, THE

MANDATE

Construction, operation and maintenance of canals, bridges, works and other property related to the deep waterway between the Port of Montreal and Lake Erie, known as the St. Lawrence Seaway.

BACKGROUND

The St. Lawrence Seaway Authority (SLSA) was established in 1954 to construct and operate the Seaway in conjunction with an appropriate authority in the United States and to construct, maintain and operate bridges and other works and property incidental thereto as the Governor in Council may deem to be necessary. The Authority operates 13 locks and 21 moveable bridges in Canadian territory along the waterway, as well as four high-level bridges traversing the St. Lawrence River. Two locks in the United States are operated by the Saint Lawrence Seaway Development Corporation.

A wholly-owned subsidiary, the Seaway International Bridge Corporation, Ltd. (SIBC), was established in 1962 to manage the international bridge at Cornwall, Ontario. A second wholly-owned subsidiary, the Jacques Cartier and Champlain Bridges Incorporated (JCCB), was established to manage the two high-level bridges in Montreal when these were transferred from the National Harbours Board in 1978. A third wholly-owned subsidiary, Great Lakes Pilotage Authority, Ltd. is a parent Crown corporation for the purposes of the *Financial Administration Act*. The Canadian span of the Thousand Islands Bridge at Lansdowne, Ontario has been directly administered by the Authority since this property reverted to Canada in 1976.

CORPORATION DATA

HEAD OFFICE	Place de Ville Tower A 18th Floor 320 Queen Street Ottawa, Ontario K1R 5A3
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	Incorporated 54/07/01 pursuant to section 3 of the *St. Lawrence Seaway Authority Act* (R.S.C. 1970, C. S-1).
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	W.A. O'Neil
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY* ($ million) The financial year ends March 31.

	1984-85	**1983-84**	**1982-83**	**1981-82**
At the end of the period				
Total Assets	668.9	668.2	664.4	666.6
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	210.0	210.0	210.0	210.0
Equity of Canada	432.5	434.6	434.3	438.0
Cash from Canada in the period				
— budgetary	3.0	3.0	nil	nil
— non-budgetary	nil	nil	nil	nil

* Financial data include subsidiaries (SIBC, JCCB, GLPA) to the extent only of the Authority's investment ($9 thousand) in them.

THE ST. LAWRENCE SEAWAY AUTHORITY

AUDITOR'S REPORT

THE HONOURABLE DON MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of The St. Lawrence Seaway Authority as at March 31, 1985 and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, The St. Lawrence Seaway Authority Act and the by-laws of the Authority.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
May 24, 1985

BALANCE SHEET AS AT MARCH 31, 1985
(in thousands of dollars)

ASSETS	1985	1984
Current		
Cash and term deposits	13,467	15,406
Accounts receivable	3,092	3,347
Accrued interest receivable	2,197	2,016
Supplies inventory	2,432	2,171
	21,188	22,940
Long-term receivables (Note 3)	455	595
Investments		
Canada bonds (Note 4)	36,558	37,520
Deposits in Consolidated Revenue Fund (Note 5)	13,000	5,000
Subsidiary companies (Note 6)	10	10
	49,568	42,530
Fixed (Note 7)	597,657	602,095
	668,868	668,160

LIABILITIES	1985	1984
Current		
Accounts payable	3,677	3,903
Accrued liabilities	9,799	7,235
	13,476	11,138
Long-term		
Accrued employee termination benefits	12,897	12,425
Deferred interest (Note 8)	210,000	210,000
	222,897	222,425
	236,373	233,563
Contingencies (Note 12)		
EQUITY OF CANADA		
Contributed capital (Note 8)	624,950	624,950
Deficit	(192,455)	(190,353)
	432,495	434,597
	668,868	668,160

Approved:

W. A. O'NEIL
President

R. J. FORGUES
Comptroller and Treasurer

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985					1984
	Montreal-Lake Ontario Section	Welland Section	Total Seaway	Thousand Islands Bridge	Total	Total
Revenues						
Tolls	29,632	29,830	59,462		59,462	54,967
Leases and licenses	420	1,879	2,299	83	2,382	2,294
Other	508	744	1,252	817	2,069	1,802
	30,560	32,453	63,013	900	63,913	59,063
Expenses						
Operating	6,394	9,652	16,046		16,046	15,364
Maintenance	14,096	16,687	30,783	93	30,876	21,148
Administration	4,291	4,233	8,524	285	8,809	8,128
Headquarters	4,080	4,297	8,377	36	8,413	7,727
Depreciation	4,111	4,708	8,819	32	8,851	8,871
Employee termination benefits	582	621	1,203		1,203	1,357
	33,554	40,198	73,752	446	74,198	62,595
Income (loss) from operations	(2,994)	(7,745)	(10,739)	454	(10,285)	(3,532)
Investment income	3,433	3,616	7,049		7,049	5,498
Income (loss) before extraordinary item	439	(4,129)	(3,690)	454	(3,236)	1,966
Final adjustment (provision) for settlement of claim		1,134	1,134		1,134	(1,685)
Net income (loss) for the year	439	(2,995)	(2,556)	454	(2,102)	281

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985			1984
	Seaway	Thousand Islands Bridge	Total	Total
Deficit (retained earnings), beginning of the year	191,494	(1,141)	190,353	190,634
Loss (net income) for the year	2,556	(454)	2,102	(281)
Deficit (retained earnings), end of the year	194,050	(1,595)	192,455	190,353

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985			1984
	Seaway	Thousand Islands Bridge	Total	Total
Source of funds				
Operations				
Income (loss) before extraordinary item	(3,690)	454	(3,236)	1,966
Items not requiring an outlay of funds				
Depreciation	8,819	32	8,851	8,871
Employee termination benefits	1,203		1,203	1,356
Loss (gain) on disposal of fixed assets	(68)		(68)	18
	6,264	486	6,750	12,211
Final adjustment for settlement of claim	1,134		1,134	
Proceeds from maturity of Canada bonds	962		962	2,977
Proceeds on disposal of fixed assets	214		214	54
Reduction in long-term receivables	140		140	135
	8,714	486	9,200	15,377
Application of funds				
Deposit in Consolidated Revenue Fund	8,000		8,000	5,000
Fixed asset additions	4,559		4,559	4,532
Transfer of accrued employee termination benefits to current liabilities	731		731	1,005
Provision for settlement of claim				1,685
	13,290		13,290	12,222
Increase (decrease) in working capital	(4,576)	486	(4,090)	3,155
Working capital (deficiency), beginning of the year	12,063	(261)	11,802	8,647
Working capital, end of the year	7,487	225	7,712	11,802

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. Authority and objectives

The St. Lawrence Seaway Authority was established in 1954 under The St. Lawrence Seaway Authority Act and is classified as a parent Crown corporation under Schedule C Part I of the Financial Administration Act.

The Authority was established to construct and operate a deep waterway between the Port of Montreal and Lake Erie together with such works and other property, including bridges incidental to the deep waterway, as deemed necessary by the Governor in Council.

2. Significant accounting policies

(a) Supplies inventory

Supplies inventory is recorded at cost.

(b) Investments in subsidiary companies

Investments in subsidiary companies are recorded at cost. The financial statements of the subsidiary companies have not been consolidated in these financial statements because changes in the equity of the subsidiaries do not accrue to the Authority. Separate audited financial statements for each of the subsidiary companies are available to the public.

(c) Fixed assets

Fixed assets are recorded at cost. Replacements and major improvements which increase the capacity of the deep waterway system or extend the estimated useful lives of existing assets are capitalized. Repairs and maintenance are charged to operations as incurred. The cost of assets sold, retired, or abandoned, and the related accumulated depreciation are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.

Depreciation is recorded using the straight-line method based on the estimated useful lives of the assets.

(d) Employee termination benefits

Employees of the Authority are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

(e) Pension plan

All employees of the Authority are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. These contributions represent the total liability of the Authority and are recognized in the accounts on a current basis.

(f) Thousand Islands Bridge

In September 1976, the Minister of Transport entrusted the Authority with the management and operation of the Thousand Islands Bridge, while the real property was vested in the name of Her Majesty in Right of Canada. Subsequent capital expenditures made by the Authority to improve the Bridge have been recorded as fixed assets. The retained earnings of the Bridge represent its cumulative earnings since September 1976.

These financial statements have segregated the operations of the Thousand Islands Bridge on the premise that its management and operation by the Authority is independent of Seaway operations.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Continued*

3. Long-term receivables

The Authority has entered into long-term contractual agreements for the sale of two parcels of land and for the recovery of costs associated with the construction of certain facilities. Long-term receivables outstanding at March 31 are as follows:

	1985	1984
	(in thousands of dollars)	
5¼% interest, recoverable in blended annual installments of $99,519, maturing July 1986	94	184
5½% interest, recoverable in blended annual installments of $28,000, maturing in 1995	191	207
Non-interest bearing, recoverable in annual installments of $33,952, maturing in 1990	170	204
	455	595

4. Canada bonds

The investment in Canada bonds at March 31, set aside by the Authority in order to provide for future major capital improvement projects, is as follows:

	1985	1984
	(in thousands of dollars)	
Cost, maturing on varying dates up to 2003	36,558	37,520
Par value	37,000	38,000
Market value	33,467	32,083

5. Deposits in Consolidated Revenue Fund

Consolidated Revenue Fund deposits, set aside by the Authority in order to provide for future payments of employee termination benefits, mature on March 31, 1989.

6. Subsidiary companies

Investments in subsidiary companies consist of the following:

	No. of shares	Cost
		$
Great Lakes Pilotage Authority, Ltd. (GLPA)	15	1,500
The Jacques Cartier and Champlain Bridges Incorporated (JCCB)	1	100
The Seaway International Bridge Corporation, Ltd. (SIBC)	8	8,000
		9,600

During the year ended March 31, 1985, the Authority provided JCCB with certain administration services for which it charged $550,000 (1984—$529,000). At March 31, 1985, $46,000 was outstanding (1984—$44,000).

Each calendar year, SIBC pays a bridge user charge to the Authority (1984—$304,000; 1983—$301,000) to amortize the Authority's construction and interest costs related to the North Channel Bridge. At March 31, 1985, $11.9 million (1984—$12.2 million) in construction and interest costs remained unamortized.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

7. Fixed assets

	Depreciation rate	1985 Cost	1985 Accumulated depreciation	1985 Net	1984 Net
		(in thousands of dollars)			
Seaway					
Land		30,654		30,654	31,073
Channels and canals	1%	249,093	61,201	187,892	190,383
Locks	1%	235,969	78,043	157,926	160,108
Bridges and tunnels	2%	86,391	32,938	53,453	55,087
Buildings	2%	12,086	6,071	6,015	6,191
Equipment	2-20%	15,697	7,337	8,360	8,763
Remedial works—Expenditures on properties owned by others, relating to Seaway construction	1%	134,530	22,654	111,876	112,720
Interest during construction (see below)		32,822		32,822	32,822
Works under construction		7,289		7,289	3,546
		804,531	208,244	596,287	600,693
Thousand Islands Bridge					
Improvements	2%	1,552	182	1,370	1,402
		806,083	208,426	597,657	602,095

Since the unpaid interest on loans from Canada may be forgiven (see Note 8), no depreciation has been provided on interest of $32.8 million capitalized during construction of the Welland Modernization Project.

8. Equity financing

As of April 1, 1977, loans from Canada of $624.95 million were converted to equity by parliamentary appropriation. This amount was recorded as contributed capital. The unpaid interest of $210 million on these loans was not converted and is reflected on the balance sheet as deferred interest. This deferred interest, on which no further accrual of interest is required, is not classified as a current liability because the Crown Corporations Directorate of the Department of Finance and Treasury Board is currently studying this matter with a view to obtain approval from Parliament to have the unpaid interest forgiven. Upon forgiveness, $32.8 million will be credited to fixed assets (see Note 7) and $177.2 million will reduce the deficit.

The parliamentary appropriation authorizing the 1977 conversion of loans from Canada to equity also authorized the Minister to fix, from time to time, the amount that shall be paid by the Authority annually out of its toll revenue as a return on capital. No return on capital has been required to be paid for the years ended March 31, 1985 and 1984.

The Minister of Finance announced in his budget papers, tabled in the House of Commons on May 23, 1985, that the Authority will be required to contribute $30 million to the Government of Canada during the year ending March 31, 1987.

9. Special Recovery Capital Projects Program

During the year ended March 31, 1985, the Authority was entitled to $3 million under the Federal Government's Special Recovery Capital Projects Program (1984—$3 million) of which $1 million has been received (1984—$1.1 million) and $2 million is included in accounts receivable (1984—$1.9 million). These grants, which relate entirely to the Welland Canal, have been credited to operations as a reduction of maintenance expenses.

10. Income taxes

The Authority, as a prescribed Federal Crown corporation, is subject to the provisions of the Income Tax Act. The Authority is not subject to any provincial income taxes.

Undepreciated capital cost for tax purposes in excess of net book value of capital assets amounted to approximately $186 million. The tax effect of this excess has not been recorded in the accounts.

The Authority has incurred research and development costs of approximately $4 million. Under Section 37 of the Income Tax Act, these costs have been deferred and are available to reduce the taxable income of future years.

11. Commitments

At March 31, 1985, contractual obligations for capital and other expenditures amounted to $4.3 million (1984—$962,000).

12. Contingencies

Ten court actions totalling $5.4 million have been instituted against the Authority by shipping companies alleging economic losses suffered as a result of the Valleyfield Bridge breakdown in November 1984. In addition, the Authority has received 284 intentions to claim relating to the same matter. The Authority is contesting all these claims, however, their outcome cannot be determined at this time. The Authority has advised its insurers of the claims.

The Authority is also the claimant or defendant in certain other pending or threatened claims and lawsuits. It is the opinion of management that these actions will not result in any material losses to the Authority.

APPENDIX 1

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED

AUDITOR'S REPORT

THE HONOURABLE DONALD FRANK MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of The Jacques Cartier and Champlain Bridges Incorporated as at March 31, 1985 and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, as well as the charter and by-laws of the Corporation.

I wish to point out that a disagreement exists between the Corporation and the Montreal Port Corporation as to the value of operation services provided by the latter. Note 6 to the financial statements states that the Corporation has recorded an amount of $1,720,610 for these services rendered during the year. However, the Montreal Port Corporation claims an additional amount of $53,159 per month from June 12, 1984, or $512,100 to March 31, 1985. The Corporation does not recognize as due any amount in excess of what it has recorded for the reason that it has requested and has received a lower level of service.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
May 3, 1985

BALANCE SHEET AS AT MARCH 31, 1985

ASSETS	1985	1984
	$	$
Current		
Cash and term deposits	4,995,786	4,488,491
Accounts receivable	160,546	142,713
	5,156,332	4,631,204
Fixed		
Land	3,785,545	3,785,545
Bridges	73,276,394	73,276,394
Vehicles and equipment	608,052	505,902
	77,669,991	77,567,841
Less: accumulated depreciation	55,496,168	54,393,013
	22,173,823	23,174,828
	27,330,155	27,806,032

LIABILITIES	1985	1984
	$	$
Current		
Accounts payable	1,317,560	939,386
Due to parent company	45,826	51,975
Due to Canada	213,584	32,759
Deferred revenues	387,846	415,568
	1,964,816	1,439,688
Long-term		
Provision for employee termination benefits	611,861	663,755
Loans from Canada (Note 3)	66,242,472	66,242,472
Interest in arrears (Note 4)	44,513,580	44,513,580
	111,367,913	111,419,807
	113,332,729	112,859,495
SHAREHOLDER'S DEFICIENCY		
Capital stock		
Authorized—50 shares without par value		
Issued and fully paid—1 share	100	100
Capital deficiency (Note 5)	(71,793,882)	(71,919,606)
Deficit	(14,208,792)	(13,133,957)
	(86,002,574)	(85,053,463)
	27,330,155	27,806,032

Approved by the Board:

WILLIAM A. O'NEIL
Director

JACQUES Y. LAVIGNE
Director

APPENDIX 1—*Continued*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1985

	Jacques Cartier Bridge	Champlain Bridge	Total 1985	Total 1984
	$	$	$	$
Revenues				
Tolls		6,028,129	6,028,129	5,641,056
Interest	105,395	316,187	421,582	374,152
Other	104,404	92,891	197,295	170,206
	209,799	6,437,207	6,647,006	6,185,414
Expenses				
Operation	850,008	2,778,888	3,628,896	3,992,054
Maintenance	3,302,651	2,053,484	5,356,135	3,905,414
Administration	477,210	1,180,563	1,657,773	1,555,889
Depreciation	81,633	1,045,096	1,126,729	1,122,166
	4,711,502	7,058,031	11,769,533	10,575,523
Loss for the year	4,501,703	620,824	5,122,527	4,390,109

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Balance at beginning of the year	13,133,957	12,040,119
Loss for the year	5,122,527	4,390,109
	18,256,484	16,430,228
Parliamentary appropriation—Operations	4,047,692	3,296,271
Balance at end of the year	14,208,792	13,133,957

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Source of funds		
Parliamentary appropriation		
Operations	4,047,692	3,296,271
Capital	125,724	66,970
	4,173,416	3,363,241
Proceeds from sale of fixed assets	3,428	
	4,176,844	3,363,241
Application of funds		
Operations		
Loss for the year	5,122,527	4,390,109
Items not requiring an outlay of funds		
Depreciation	(1,126,729)	(1,122,166)
Decrease in the provision for employee termination benefits	51,894	28,328
	4,047,692	3,296,271
Acquisition of fixed assets	129,152	66,970
	4,176,844	3,363,241
Change in working capital		
Working capital at beginning of the year	3,191,516	3,191,516
Working capital at end of the year	3,191,516	3,191,516

APPENDIX 1—*Continued*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. Authority and activities

The Jacques Cartier and Champlain Bridges Incorporated was established under the Canada Business Corporations Act on November 3, 1978 and is a wholly owned subsidiary of The St. Lawrence Seaway Authority, which is a Crown corporation named in Part I of Schedule C to the Financial Administration Act.

The Corporation is partially dependent on the Government of Canada for its financing.

Effective December 1, 1978, the Corporation assumed the responsibility for the operation, maintenance and control of the Jacques Cartier and Champlain bridges and of a portion of the Bonaventure Autoroute, situated in the Montreal area.

2. Significant accounting policies

Fixed assets

Fixed assets acquired from the National Harbours Board (now Canada Ports Corporation) on December 1, 1978 were recorded at their then book values. Subsequent additions are recorded at cost.

Fixed assets are depreciated over their estimated economic lives using the straight-line method, at the following rates:

Jacques Cartier Bridge	4.8%
Champlain Bridge	2.5%
Vehicles and equipment	10% and 20%

The cost of the portion of the Bonaventure Autoroute for which the Corporation is responsible and the initial cost of the Jacques Cartier Bridge are fully depreciated.

Parliamentary appropriation

The parliamentary appropriation covering the loss for the year is reflected in the statement of deficit. In this regard, operating expenses do not include depreciation and any change in the provision for employee termination benefits.

The parliamentary appropriation for financing fixed assets is credited to the capital deficiency.

Any parliamentary appropriation received in excess of requirements is recorded as due to Canada. It is the Corporation's policy to reimburse this amount in the following fiscal year.

Deferred revenues

The estimated value of unredeemed toll tokens and tickets as well as rental revenues collected in advance are recorded as deferred revenues.

Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

Pension plan

Employees participate in the Superannuation Plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the Plan. This contribution represents the total liability of the Corporation. Contributions in respect of current service and of admissible past service are expensed when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

Expenses

Expenses incurred with respect to the portion of the Bonaventure Autoroute for which the Corporation is responsible are included with those for the Champlain Bridge.

Income tax

As a federal Crown corporation, the Corporation is not subject to provincial income tax. However, it is subject to the federal Income Tax Act from the fact that its parent corporation has been prescribed by regulation under that Act to be a federal Crown corporation. It has incurred substantial losses in prior years which can be carried forward and applied against taxable income of future years.

3. Loans from Canada

	$
Certificate of indebtedness	59,752,867
Advance	6,489,605
	66,242,472

The certificate of indebtedness, dated April 1, 1981, does not bear interest and does not carry a definite due date nor terms of repayment.

The advance, which bears no interest, was recorded in the accounts of Canada as a non-active loan and charged to the accumulated deficit of Canada when it was made.

4. Interest in arrears

Accumulated simple interest as at March 31, 1981, on loans from Canada, is recorded on the balance sheet as long term since the Corporation does not foresee paying it, in whole or in part, during the next fiscal year. This interest does not include the interest since 1962 on a 2¾% loan in the amount of $7,576,000 issued with respect to the Jacques Cartier Bridge. The recording of this interest was discontinued when the tolls on this bridge were abolished.

5. Capital deficiency

When the Corporation took possession of its fixed assets on December 1, 1978, it also assumed the related debt obligations. The excess of such debts over the book value of the assets acquired at that date amounted to $72,448,371 and was recorded as a capital deficiency. The capital deficiency was reduced during the year by $125,724 ($66,970 in 1984) representing the parliamentary appropriation for financing the acquisition of fixed assets.

6. Related party transactions

Related party transactions not otherwise disclosed in these financial statements are as follows:

Operation services from the Montreal Port Corporation recorded at an amount of $1,720,610 for the year 1985 ($2,152,970 for 1984), of which $132,900 was unpaid as at March 31, 1985 ($186,059 as at March 31, 1984).

Administrative services from the parent company amounted to $549,850 ($528,700 in 1984). As at March 31, 1985 an unpaid balance thereon of $45,820 ($44,058 as at March 31, 1984) is included with the amount due to the parent company. The Corporation has contracted for such services for the year 1986 to the extent of $575,000.

APPENDIX 1—*Concluded*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

7. Commitments

The Corporation has entered into long-term leases for the rental of facilities and equipment used in the course of its activities. The aggregate minimum annual rental payments are as follows:

	$
1986	269,495
1987	265,334
1988	179,446
1989	171,608
1990	171,608
1991-92	343,217

8. Contingencies

In connection with its operations, the Corporation is the claimant or defendant in certain pending claims and lawsuits. It is the opinion of management that these actions will not result in any material liabilities to the Corporation.

APPENDIX 2

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

AUDITOR'S REPORT

THE HONOURABLE DON MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of The Seaway International Bridge Corporation, Ltd. as at December 31, 1984 and the statements of income and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Business Corporations Act, The St. Lawrence Seaway Authority Act and the by-laws of the Corporation.

RAYMOND DUBOIS, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 15, 1985

BALANCE SHEET AS AT DECEMBER 31, 1984

ASSETS	1984	1983
	$	$
Current		
Cash and term deposits	295,878	292,961
Accounts receivable	6,601	14,590
	302,479	307,551
Fixed		
Equipment, at cost	166,867	164,015
Less: accumulated depreciation	124,655	107,722
	42,212	56,293
	344,691	363,844

LIABILITIES	1984	1983
	$	$
Current		
Accounts payable and accrued liabilities	47,747	41,285
Due to The St. Lawrence Seaway Authority	34,321	81,802
Deferred revenue	17,811	17,485
	99,879	140,572
Long-term		
Accrued employee termination benefits	228,812	207,272
Debentures payable (Note 3)	8,000	8,000
	236,812	215,272
	336,691	355,844
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—An unlimited number of common shares		
Issued and fully paid—8 shares	8,000	8,000
	344,691	363,844

Approved by the Board:

W. A. O'NEIL
President and Director

JAMES L. EMERY
Vice-President and Director

APPENDIX 2—*Concluded*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.—*Concluded*

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
	$	$
Revenues		
Tolls	1,350,801	1,329,642
Rentals	63,762	57,761
Interest	39,798	27,668
Other	7,640	9,431
	1,462,001	1,424,502
Expenses		
Salaries and employee benefits	855,410	812,998
Maintenance, materials and services	146,801	131,943
Employee termination benefits	42,616	49,169
Insurance	33,290	33,843
Grants in lieu of municipal taxes	11,300	27,500
Depreciation	16,933	16,753
Rental of toll collection machines	14,713	14,673
Electricity	12,482	11,901
Office supplies	8,923	9,766
Other	15,212	14,801
	1,157,680	1,123,347
Income before bridge user charge	304,321	301,155
Bridge user charge (Note 4)	304,321	301,155
Net income for the year		

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
	$	$
Source of funds		
Operations		
Net income for the year		
Items not affecting funds		
Employee termination benefits	42,616	49,169
Depreciation	16,933	16,753
	59,549	65,922
Application of funds		
Employee termination benefits	21,076	76,035
Additions to fixed assets	2,852	20,648
	23,928	96,683
Increase (decrease) in working capital	35,621	(30,761)
Working capital, beginning of the year	166,979	197,740
Working capital, end of the year	202,600	166,979

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. Authority and activities

The Seaway International Bridge Corporation, Ltd. is a Crown corporation pursuant to the Financial Administration Act, as amended by Bill C-24, and is a wholly-owned subsidiary of The St. Lawrence Seaway Authority, a parent Crown corporation named in Schedule C Part I of the aforementioned Act. The Corporation was incorporated under the Canada Corporations Act in 1962, continued under the Canada Business Corporations Act, and is subject to The St. Lawrence Seaway Authority Act. Its purpose is to operate and manage the international toll bridge system between Cornwall, Ontario, and Rooseveltown, New York, on behalf of The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation.

2. Significant accounting policies

Depreciation

Depreciation of equipment is based on the estimated useful life of the assets calculated on the straight-line method at the following annual rates:

Automotive	20%
Shop	10% to 20%
Office and toll equipment	10%

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under the conditions of employment. The liability for these benefits is recorded in the accounts as the employees become entitled to the benefits.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Corporation. These contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis.

Deferred revenue

Revenue from unredeemed toll tokens is deferred.

3. Debentures payable

These debentures, due on December 31, 2012, are non-interest bearing and payable to the Saint Lawrence Seaway Development Corporation.

4. Bridge user charge

By agreement between The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation, the annual income of the Corporation is paid as a bridge user charge; first, to the Authority to offset the amortization of the cost of the North Channel Bridge together with interest; then to the Saint Lawrence Seaway Development Corporation to offset the amortization of the cost of the Racquette River Bridge; and the balance, if any, is then divided equally between both parties.

All bridge user charges since the commencement of operations have been paid to The St. Lawrence Seaway Authority.

5. Bridge use

With the approval of the Canadian Transport Commission, the Corporation has continued the practice of providing free usage of the bridge system to certain North American Indians. This represents a substantial portion of the bridge traffic.

6. Related party transactions

In addition to the transactions disclosed elsewhere in these financial statements, The St. Lawrence Seaway Authority provides to the Corporation, without charge, certain engineering and administrative support services.

7. Commitments

The Corporation has entered into a long-term lease for the rental of toll collection facilities and equipment. The minimum annual rental payments which will be paid over the remaining life of the lease are as follows:

	$
1985	14,235
1986	14,235
1987	11,700
	40,170

SUMMARY PAGE

SOCIETA A RESPONSIBILITA LIMITATA IMMOBILIARE SAN SEBASTIANO

MANDATE

Purchase and administration of the residence of Canada's Ambassador to the Holy See.

BACKGROUND

The sole asset of the company is the property known as 13/A Via di Porta San Sebastiano, Rome. This property has served as the official residence of successive Canadian ambassadors to the Holy See since the post was first opened in 1970. In 1982, the Department of External Affairs exercised an option to purchase the official residence by acquiring all the issued and outstanding shares of Immobiliare San Sebastiano S.R.L.

Authority to dissolve the corporation has now been granted by Parliament through Bill C-60.

CORPORATION DATA

HEAD OFFICE	Attention: David M. Stockwell, External Affairs Department, 125 Sussex Drive Ottawa, Ontario K1A 0G2
STATUS	— Schedule C, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Right Honourable Joe Clark, P.C., M.P.
DEPARTMENT	External Affairs
DATE AND MEANS OF CORPORATION	Italian civil code governing limited companies.
SOLE ADMINISTRATOR	Paul Tardif
AUDITOR	il Dr. Giovanni Vigoriti

THE AUDITED FINANCIAL STATEMENTS FOR THE REPORT PERIOD
WERE NOT AVAILABLE AT DATE OF PRINTING

SUMMARY PAGE

STANDARDS COUNCIL OF CANADA

MANDATE

To foster and promote voluntary standardization in fields relating to construction, manufacture, production, quality, performance and safety of buildings, structures, manufactured articles and products and other goods, not expressly provided for by law as a means of advancing the national economy, benefiting the public and protecting consumers.

BACKGROUND

The Council coordinates the activities of organizations involved in standardization in Canada, and represents Canada in international standardization organizations.

CORPORATION DATA

HEAD OFFICE	Suite 1210 350 Sparks Street Ottawa, Ontario K1R 7S8
STATUS	— Schedule C, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Michel Côté, P.C., M.P.
DEPARTMENT	Consumer and Corporate Affairs
DATE AND MEANS OF INCORPORATION	*Standards Council of Canada Act* (R.S.C. 1970 C. C-41, 1st supplement). Proclaimed 7 October 1970.
CHIEF EXECUTIVE OFFICER	John R. Woods
CHAIRMAN	Georges Archer
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1984-85	**1983-84**	**1982-83**	**1981-82**
At the end of the period				
Total Assets	5.3	4.0	3.6	3.0
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	4.4	3.4	3.0	2.3
Cash from Canada in the period				
— budgetary	6.6	6.0	5.8	4.8
— non-budgetary	nil	nil	nil	nil

STANDARDS COUNCIL OF CANADA

REPORT OF MANAGEMENT ACCOUNTABILITY

The accompanying financial statements and all information in the Annual Report are the responsibility of Council and its officers. The financial statements were prepared by management in conformity with generally accepted accounting principles appropriate to Council's operations. The non-financial information provided in the Annual Report has been selected on the basis of its relevance to Council's objectives.

Council maintains a system of financial and management controls and procedures designed to provide reasonable assurance that the transactions undertaken by Council are in accordance with its objectives and within its mandate as stated in the Standards Council of Canada Act.

The Auditor General annually provides an independent, objective review of the financial records to determine if the financial statements report fairly the operating results and financial position of the Council in accordance with generally accepted accounting principles.

Council, through its Audit Committee, is responsible for reviewing management's financial and reporting practices. The Audit Committee, comprised solely of Council members, meets with management and the Auditor General to satisfy itself that these responsibilities are properly discharged by management.

GEORGES ARCHER
President

AUDITOR'S REPORT

TO THE STANDARDS COUNCIL OF CANADA
AND
THE HONOURABLE MICHEL CÔTÉ, P.C., M.P.
MINISTER OF CONSUMER AND CORPORATE AFFAIRS

I have examined the balance sheet of the Standards Council of Canada as at March 31, 1985 and the statements of operations, surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Council as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting method for purchases of office furniture and equipment as explained in Note 3 to financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Council that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Standards Council of Canada Act and by-laws of the Council.

D. L. MEYERS, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 8, 1985

BALANCE SHEET AS AT MARCH 31, 1985

ASSETS	1985	1984
	$	$
Current		
Cash and short-term deposits	4,627,872	3,617,063
Accrued interest	225,468	82,654
Accounts receivable		
Government of Canada	124,347	260,540
Other	95,458	54,983
Prepaid expenses	47,578	17,083
	5,120,723	4,032,323
Fixed		
Office furniture and equipment (Note 4)	182,482	126,685
	5,303,205	4,159,008

LIABILITIES	1985	1984
	$	$
Accounts payable and accrued liabilities	531,471	438,713
Customer and other deposits	105,990	27,821
Provision for employee termination benefits	227,214	208,836
	864,675	675,370
EQUITY OF CANADA		
Surplus	4,438,530	3,483,638
	5,303,205	4,159,008

Approved by the Council:

GEORGES ARCHER
President

JOHN WOODS
Executive Director

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Expenses		
Salaries, wages and employee benefits	2,627,357	2,651,902
Travel	949,561	897,349
Financial assistance to standards-writing organizations	881,000	873,500
Publications and printing	528,702	576,148
Membership in international organizations	438,797	452,568
Direct cost of standards purchases	380,575	338,714
Office accommodation	341,571	349,851
Public relations	281,455	116,415
Professional and special services	237,238	161,561
Telephone and postage	197,823	165,472
International secretariat costs	177,260	137,732
Office equipment (rental)	65,039	60,100
Depreciation	49,873	35,493
Office supplies	47,872	32,228
Meetings	34,935	30,336
Other	88,757	53,723
	7,327,815	6,933,092
Less: GATT Enquiry Point operating costs recovered from Department of External Affairs	291,871	260,540
costs of development assistance programs recovered from Department of External Affairs and Canadian International Development Agency (CIDA)	45,795	
	6,990,149	6,672,552
Revenues		
Interest income	755,483	510,324
Sale of standards	565,543	541,535
Other	12,015	24,078
	1,333,041	1,075,937
Cost of operations	5,657,108	5,596,615
Parliamentary appropriation		
Consumer and Corporate Affairs Vote 15	6,612,000	5,978,000
Excess of parliamentary appropriation over cost of operations for the year	954,892	381,385

STATEMENT OF SURPLUS
FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Appropriated (Note 5)		
Balance at beginning of the year	1,064,709	871,000
Appropriated (released) during the year, net	(19,359)	193,709
Balance at end of the year	1,045,350	1,064,709
Unappropriated		
Balance at beginning of the year		
As previously reported	2,418,929	2,122,988
Change in accounting policy (Note 3)		108,265
As restated	2,418,929	2,231,253
Excess of parliamentary appropriation over cost of operations for the year	954,892	381,385
Released (appropriated) during the year, net	19,359	(193,709)
Balance at end of the year	3,393,180	2,418,929
	4,438,530	3,483,638

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Source of funds		
Operations		
Excess of parliamentary appropriation over cost of operations for the year	954,892	381,385
Items not requiring an outlay of cash		
Depreciation	49,873	35,493
Employee termination benefits	18,378	52,593
	1,023,143	469,471
Increase in accounts payable and accrued liabilities	92,758	
Increase in customer and other deposits	78,169	13,139
Decrease in accounts receivable	95,718	
	1,289,788	482,610
Application of funds		
Purchases of office furniture and equipment	105,670	53,913
Increase in accrued interest	142,814	29,680
Increase in accounts receivable		106,931
Increase in prepaid expenses	30,495	2,841
Decrease in accounts payable and accrued liabilities		31,351
	278,979	224,716
Increase in funds during the year	1,010,809	257,894
Cash and short-term deposits at beginning of the year	3,617,063	3,359,169
Cash and short-term deposits at end of the year	4,627,872	3,617,063

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. Authority and objectives

The Standards Council of Canada was created by Parliament as a corporation under the Standards Council of Canada Act in 1970 to be the national co-ordinating body for voluntary standardization. Pursuant to Bill C-24, proclaimed on September 1, 1984, the Council is a Crown corporation named in Part I of Schedule C to the Financial Administration Act. The Council carries out its task through the National Standards System, a federation of accredited organizations concerned with standards-writing, certification and testing, co-ordinated by the Council.

The objectives of the Council are to foster and promote voluntary standardization in fields relating to the construction, manufacture, production, quality, performance and safety of buildings, structures, manufactured articles and products and other goods and to further international co-operation in the field of standards.

2. Significant accounting policies

(a) Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the date of the transaction. Any amounts payable or receivable in foreign currencies at the end of the year are translated into Canadian dollars at the exchange rate in effect at the balance sheet date.

(b) Office furniture and equipment

Office furniture and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of the assets as follows:

Furniture	5 years
Equipment	4 years

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

(c) Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. Since 1978, the liability for these benefits has been recorded in the accounts as the benefits accrue to the employees.

(d) Pension plan

Since incorporation, employees have been covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Council. Contributions with respect to current service are expensed in the current period.

(e) Parliamentary appropriations

Parliamentary appropriations are recorded when received.

3. Change in accounting policy

During the year, the Council adopted the policy of capitalizing fixed assets and depreciating them over their estimated useful lives. Previously, amounts paid in respect of purchases of furniture and equipment were expensed in the year of acquisition. The change in accounting policy had the effect of increasing income for the current year by $55,797. This change in accounting policy was applied retroactively with the result that the income for the year ended March 31, 1984, has been increased by $18,420 and the opening unappropriated surplus as at April 1, 1983 has been increased by $108,265 over the amounts previously reported.

4. Office furniture and equipment

	1985			1984
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Office furniture	93,485	40,930	52,555	54,441
Office equipment	208,072	78,145	129,927	72,244
	301,557	119,075	182,482	126,685

5. Appropriated surplus

	1985	1984
	$	$
Reserve towards cost of future in-house electronic data processing facility	500,000	500,000
Reserve towards cost of hosting the General Meeting of the International Electrotechnical Commission in May 1985	498,476	517,835
Reserve for contingencies	46,874	46,874
	1,045,350	1,064,709

6. Subsequent events

Potential reduction in 1985-86 funding levels could result from the following:

- The Parliamentary appropriation included in the 1985-86 Main Estimates for the Standards Council of Canada is $5.4 million ($6.6 million in 1984-85).
- The Budget Papers tabled in the House of Commons by the Minister of Finance on May 23, 1985 provided for the recovery of an additional $1 million from the Council in 1985-86.

7. Comparative figures

Certain figures for 1984 presented for comparative purposes have been restated to conform to the 1985 presentation.

SUMMARY PAGE

TELEGLOBE CANADA

MANDATE

To establish, maintain and operate, in Canada and elsewhere, international telecommunications services for the conduct of public communications.

BACKGROUND

Originally named the Canadian Overseas Telecommunications Corporation, its name was changed in 1975 by the *Teleglobe Canada Act*. The corporation has operated and added substantially to overseas cable and other communications systems for Canada. It is profitable and is in the process of being privatized.

CORPORATION DATA

HEAD OFFICE	680 Sherbrooke Street, West Montreal, Quebec H3A 2S4
STATUS	— Schedule C, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Sinclair Stevens, P.C., Q.C., M.P.
DEPARTMENT	Regional Industrial Expansion
DATE AND MEANS OF INCORPORATION	By the *Canadian Overseas Telecommunications Act* 1949 (R.S.C. 1970, C. C-11)
CHIEF EXECUTIVE OFFICER AND CHAIRMAN	Jean-Claude Delorme
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) Late in 1984, the financial year-end which had been March 31 was changed to December 31.

	9 months to Dec. 31, 1984	**1983-84**	**1982-83**	**1981-82**
At the end of the period				
Total Assets	574.6	520.0	448.7	399.4
Obligations to the private sector	68.3	64.4	43.9	6.3
Obligations to Canada	5.2	5.9	9.2	12.4
Equity of Canada	362.2	325.7	284.5	239.3
Cash from (to) Canada in the period, net				
— budgetary	nil	nil	(9.4)	(7.4)
— non-budgetary	(0.6)	(3.3)	(3.2)	(3.0)

TELEGLOBE CANADA

AUDITOR'S REPORT

THE HONOURABLE SINCLAIR MCKNIGHT STEVENS, P.C., M.P.
MINISTER OF REGIONAL INDUSTRIAL EXPANSION

I have examined the balance sheet of Teleglobe Canada as at December 31, 1984 and the statements of income and retained earnings and changes in financial position for the period then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Teleglobe Canada Act and regulations and the by-laws of the Corporation.

RAYMOND DUBOIS, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 19, 1985

BALANCE SHEET
(in thousands of dollars)

ASSETS	December 31, 1984	March 31, 1984
Current		
Cash and temporary investments, at cost (market value: December 31, 1984—$134,101; March 31, 1984—$94,598)	129,665	93,838
Accounts receivable	100,551	81,230
Prepaid expenses	1,283	2,127
	231,499	177,195
Fixed assets (Note 4)	331,530	332,193
Other assets		
Long-term receivables	9,159	9,400
Deferred charges (Note 5)	2,380	1,171
	11,539	10,571
	574,568	519,959

LIABILITIES	December 31, 1984	March 31, 1984
Current		
Accounts payable	82,501	76,340
Income tax payable	7,053	1,666
Estimated amount due to Commonwealth Telecommunications Organisation partners (Note 11b)	1,915	1,915
Portion of long-term debt due within one year (Note 6)	9,210	3,908
	100,679	83,829
Long-term debt (Note 6)	64,351	66,402
Deferred credits		
Income tax (Note 9)	44,871	41,472
Other	2,485	2,593
	47,356	44,065
EQUITY OF CANADA		
Retained earnings	362,182	325,663
	574,568	519,959

Approved by the Board:

RONALD MONTCALM
Director

DONALD L. GILLIS
Director

JEAN-CLAUDE DELORME
President and Chief Executive Officer

INCOME AND RETAINED EARNINGS
(in thousands of dollars)

	9 months ended December 31, 1984	Year ended March 31, 1984
Revenues		
Public services	427,466	526,859
Other services	7,893	9,222
Share of Intelsat and Inmarsat revenues	13,694	15,353
	449,053	551,434
Carriers' share of revenues and other realization costs	284,241	350,003
Operating revenues	164,812	201,431
Operating expenses		
Salaries and benefits	41,211	50,883
Maintenance and rental	31,094	38,405
Depreciation	27,606	30,782
Other expenses	13,536	17,023
	113,447	137,093
Operating income	51,365	64,338
Other income (Note 7)	21,058	19,914
	72,423	84,252
Financial charges (Note 8)	4,479	4,901
Income before income tax	67,944	79,351
Income tax (Note 9)	31,425	38,175
Net income	36,519	41,176
Retained earnings at beginning	325,663	284,487
Retained earnings at end	362,182	325,663

CHANGES IN FINANCIAL POSITION
(in thousands of dollars)

	9 months ended December 31, 1984	Year ended March 31, 1984
Source of funds		
Operations		
Net income	36,519	41,176
Items not affecting working capital		
Depreciation	27,606	30,782
Amortization of financial charges	210	358
Deferred income tax	3,399	8,652
Allowance for funds used during construction	(5,001)	(9,419)
	62,733	71,549
Proceeds from disposal of fixed assets	5,503	36,940
Long-term debt	6,503	22,814
Reduction of long-term receivables	241	
Increase in other deferred credits		1,344
	74,980	132,647
Application of funds		
Acquisition of fixed assets	27,398	98,686
Long-term receivables		9,400
Reduction of long-term debt	8,554	3,908
Deferred charges	1,466	1,338
Decrease in other deferred credits	108	
	37,526	113,332
Increase in working capital	37,454	19,315
Working capital, beginning	93,366	74,051
Working capital, end	130,820	93,366

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. Authority and activities

Teleglobe Canada, created by the Teleglobe Canada Act, is mandated to establish, maintain and operate Canada's international telecommunication services and to coordinate these services with those of other countries.

2. Significant accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The Corporation follows the significant accounting policies summarized below:

(a) Fixed assets

Fixed assets are stated at acquisition cost, which includes salaries, benefits and certain overhead costs related to construction activities. In addition, for major capital projects, an allowance for funds used during construction is included.

Jointly-owned fixed assets are accounted for proportionally to the Corporation's share.

From time to time, the Corporation acquires indefeasible rights of user for international telecommunications circuits that extend over specific time periods. Furthermore, the Corporation may grant such rights on circuits owned by it, or grant such rights that have been previously acquired. The amounts paid or received according to the terms of these transactions are recorded as fixed assets and depreciated over the duration of each agreement.

The Corporation has been designated by the Government of Canada to be the Canadian signatory to the International Telecommunications Satellite Organization (Intelsat) and the International Maritime Satellite Organization (Inmarsat). Periodically, each signatory's ownership share is adjusted to conform to its percentage of total use of the system or any other percentage elected within the terms of the agreements. Teleglobe Canada's ownership share is reported in fixed assets and depreciated in accordance with the fixed assets depreciation policy.

(b) Allowance for funds used during construction

The rate applied in determining the allowance for funds used during major construction projects is based principally on the interest rate established by the Minister of Finance for medium-term Government loans to Crown corporations. This allowance is accounted for as income during the construction period.

(c) Depreciation of fixed assets

Fixed assets are depreciated over the estimated service lives of the assets, using the straight-line method.

When depreciable assets are taken out of service, their net book value, less salvage, is charged to depreciation. When other assets are taken out of service, any resulting gain or loss is reflected in income.

In the event of a satellite launch failure or breakdown of an orbiting satellite, the costs are depreciated over the life of the group of satellites.

(d) Operating revenues

—Public services

Revenues from international public services (telephone, telex and telegraph) rendered through the Corporation's telecommunications network represent the amounts billed to Canadian subscribers by domestic carriers and amounts received or due from foreign administrations for the routing of overseas traffic. Estimates are included to provide for that portion of revenues which domestic carriers and foreign administrations have not yet reported to the Corporation at end of the year. Public service revenues are also derived from leasing circuits to foreign carriers for routing their traffic through Canada.

—Other services

Revenues from other services are derived primarily from leasing circuits to private users.

—Share of Intelsat and Inmarsat revenues

The Corporation's share of Intelsat and Inmarsat revenues represents its share of revenues from the international telecommunications satellite system as well as from the international maritime satellite system.

(e) Carriers' share of revenues and other realization costs

—Carriers' share of revenues

This represents the amounts owing to domestic carriers and foreign administrations for their part in routing telecommunications traffic.

—Other realization costs

These costs include:

- the Corporation's voluntary contribution to developing Commonwealth Telecommunications Organisation partners in accordance with the 1983 financial agreement
- the Corporation's share of the operating costs of the international telecommunications satellite system and the international maritime satellite system, excluding depreciation, which amounted to $3.3 million for the 9 months ended December 31, 1984 ($4.0 million for the year ended March 31, 1984).

(f) Foreign currency translation

Assets, liabilities, revenues and expenses arising from foreign currency transactions are translated into Canadian dollars by using an average exchange rate for the month in which the transactions occur, except when the transactions are hedged.

When a purchase or sale of goods or services in a foreign currency is hedged before the transaction, the Canadian dollar price of such goods or services is established by the terms of the hedge. If the hedge is incomplete as a result of having entered into a contract involving a foreign currency other than that of the transaction and Canadian dollars, the price of the goods or services is first established by the terms of the foreign exchange contract and then translated into Canadian dollars by using the average exchange rate of that intermediate currency for the month in which the transaction occurred.

When a purchase or sale of goods or services in a foreign currency is hedged after the transaction, completely or in part as described above, the amount in Canadian dollars of the payable or receivable is restated according to the terms of the foreign exchange contract constituting the hedge. The difference thus recognized is reflected in income as a gain or loss on foreign exchange.

As at the end of a financial year, monetary items denominated in foreign currencies are adjusted to reflect the exchange rates in effect as at the date of the balance sheet. For items hedged by way of forward exchange contracts, the difference thus recognized is deferred. The gain or loss recognized on other items is reflected in current earnings as a gain or loss on foreign exchange, except for that portion which relates to monetary items with a fixed or ascertainable life extending beyond one year from the end of the financial year. In these cases, the gain or loss is deferred and amortized over the remaining life of the related monetary item using the straight-line method. The unamortized balance of the deferred gain or loss on foreign exchange is recorded in the balance sheet as a deferred credit or as a deferred charge. The effect of the forward exchange contracts on the long-term debt is recorded as an element of long-term debt.

Commitments in foreign currencies are translated into Canadian dollars at the exchange rates in effect as at the date of the balance sheet, except when they are hedged in which case the terms of the foreign exchange contracts are used.

(g) Pension plan

All employees of the Corporation are covered by the pension plan administered by the Government of Canada. These employees and the Corporation are required to contribute to the cost of the plan for current service. These contributions represent the total liability of the Corporation in this matter and are accounted for on a current basis.

(h) Retirement benefits

Retiring employees are paid a benefit equivalent to one half of accumulated unused sick leave days up to March 31, 1981, with an additional credit of five days for every year of service after that date, calculated at the salary level in effect at the time of retirement. The cost of the benefit is expensed in the year in which it is earned by employees.

3. Change in fiscal year

In 1984, the Board of Directors, with the Governor General in Council approval, authorized the Corporation to change its fiscal year end from March 31 to December 31. Consequently, the accompanying financial statements cover the 9-month period ended December 31, 1984. Comparative figures are for the 12-month period ended March 31, 1984.

4. Fixed assets

(a) The main classes of fixed assets are as follows:

	December 31, 1984			March 31, 1984
	Cost	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Land	4,965		4,965	4,927
Buildings and leasehold improvements	48,458	14,901	33,557	28,284
Furnishings	9,750	4,398	5,352	5,016
Cable systems	135,707	59,494	76,213	56,940
Terminal, transmission and switching equipment	191,365	93,099	98,266	91,039
International satellite system space segment (Intelsat-Inmarsat)	40,990	26,825	14,165	16,026
Other plant and equipment	27,925	16,687	11,238	10,740
Construction in progress	87,774		87,774	119,221
	546,934	215,404	331,530	332,193

(b) Fixed assets owned outright by the Corporation or owned jointly with other telecommunication entities are as follows:

	December 31, 1984			March 31, 1984
	Cost	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Owned outright	319,369	122,281	197,088	196,325
Owned jointly (Corporation's share)	227,565	93,123	134,442	135,868
	546,934	215,404	331,530	332,193

(c) For depreciation purposes, the estimated service lives of the main classes of fixed assets are as follows:

	Number of years
Buildings	25 – 40
Leasehold improvements	over the term of the lease
Furnishings	8 – 10
Cable systems	20 – 28
Terminal, transmission and switching equipment	1 – 15
International satellite system space segment (Intelsat-Inmarsat)	6 – 12
Other plant and equipment	1 – 25

(d) As at December 31, 1984, construction in progress included an amount of $40,280,000 ($35,471,900 as at March 31, 1984) for the international satellite system space segment (Intelsat-Inmarsat).

(e) As at December 31, 1984, the Corporation's ownership share in Intelsat was 2.980056 percent (2.981573 percent as at March 31, 1984) and its ownership share in Inmarsat was 2.56864 percent (2.57122 percent as at March 31, 1984).

5. Deferred charges

Unamortized deferred charges include:

	December 31, 1984	March 31, 1984
	(in thousands of dollars)	
Unrealized losses on foreign exchange related to long-term debt	2,380	1,171
Financial commitment charges related to the ANZCAN project		210
Interconnection costs of the Laurentides Earth Station		47
	2,380	1,428
Less: current portion included in prepaid expenses		257
	2,380	1,171

6. Long-term debt

As at December 31, 1984, the Corporation's long-term debt comprises loans from the Government of Canada bearing interest at rates ranging from 3½ percent to 5¾ percent, and amounts owing to the prime contractors of the ANZCAN cable system bearing interest at the rate of 8¾ percent payable in pounds sterling and in United States dollars.

The Corporation has entered into agreements with the two prime contractors of the ANZCAN project whereby 15 percent of contract costs have been paid as work progresses. The balance is paid in 17 semi-annual installments started with the completion of construction. According to the terms of one of the agreements, payments by the Corporation to the prime contractor are secured by means of bills of exchange drawn by the latter and accepted by the Corporation.

As described in Note 10(b), the Corporation has entered into forward exchange contracts to protect itself against fluctuations of the pound sterling. The effect of this protection has been recorded as an element of long-term debt.

As at December 31, 1984, the details of the long-term debt were as follows:

Maturity	Loans from Government of Canada	Amounts owing to the prime contractors of the ANZCAN project	Effect of forward exchange contracts	Total
	(in thousands of dollars)			
1985	1,329	5,615	2,266	9,210
1986	1,276	5,615	2,303	9,194
1987	759	5,615	2,339	8,713
1988	325	5,615	2,388	8,328
1989	234	5,615	2,443	8,292
1990-98	1,311	19,529	8,984	29,824
	5,234	47,604	20,723	73,561
Portion due within one year	1,329	5,615	2,266	9,210
	3,905	41,989	18,457	64,351

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Continued*

7. Other income

	9 months ended December 31, 1984	Year ended March 31, 1984
	(in thousands of dollars)	
Interest from temporary investments	10,345	9,502
Allowance for funds used during construction	5,001	9,419
Other interest	1,781	1,782
Gain (loss) on foreign exchange	3,349	(1,239)
Gain on disposal of temporary investments	185	
Other	397	450
	21,058	19,914

8. Financial charges

	9 months ended December 31, 1984	Year ended March 31, 1984
	(in thousands of dollars)	
Interest on long-term debt	3,444	3,478
Other interest	825	1,065
Amortization of financial commitment charges related to the ANZCAN project	210	358
	4,479	4,901

9. Income tax

Teleglobe Canada is subject to federal income tax.

Deferred income tax results principally from timing differences between depreciation of fixed assets for accounting and income tax purposes.

Income tax expense comprises:

	9 months ended December 31, 1984	Year ended March 31, 1984
	(in thousands of dollars)	
Current	28,026	29,523
Deferred	3,399	8,652
	31,425	38,175

10. Commitments

(a) Construction in progress

As at December 31, 1984, the estimated cost of completing construction projects, planned and in progress, amounted to approximately $122,800,000, of which $38,100,000 relates to the year ending December 31, 1985. Contractual commitments outstanding as at December 31, 1984 amounted to approximately $17,230,000.

(b) Forward exchange contracts

As a result of the Corporation's participation in the ANZCAN project, the Corporation must make payments to a prime contractor in pounds sterling.

To protect itself against this foreign currency exposure, the Corporation has entered into forward exchange contracts with two Canadian chartered banks to buy a total of 44,678,000 pounds sterling. The balance of amounts involved under the contracts, estimated to cover construction costs and interest charges, is as follows:

Maturities	Pounds sterling	United States dollars
	(in thousands)	
1985	6,624	10,754
1986	5,769	9,421
1987	5,459	8,964
1988	5,151	8,522
1989	4,842	8,079
1990-93	14,514	24,657
	42,359	70,397

At the rates in effect at December 31, 1984, the exchange value of 42,359,000 pounds sterling hedged in United States dollars was US $48,988,000.

(c) Long-term leases

The Corporation is a party to long-term leases covering its property and facilities. The aggregate minimum annual rentals which will be paid in subsequent years are:

	(in thousands of dollars)
1985	15,330
1986	13,633
1987	12,994
1988	12,552
1989	7,862
1990-94	11,787

Rental expenses for property and facilities for the 9 months ended December 31, 1984 were $11,026,000 ($15,467,000 for the year ended March 31, 1984).

(d) Agreement with the Department of Transport

Under the terms of an agreement between the Corporation and the Department of Transport, the Corporation charters the cableship/icebreaker C.C.G.S. John Cabot on a cost reimbursement basis for periods of actual usage. This agreement is cancellable on 12 months notice. The Corporation incurred a cost under this agreement of $6,969,000 during the 9 months ended December 31, 1984 ($6,271,000 during the year ended March 31, 1984).

(e) Intelsat and Inmarsat commitments

As at December 31, 1984, the Corporation's share of Intelsat's and Inmarsat's outstanding commitments was respectively $40,372,000 and $4,974,000 based on their financial statements as at December 31, 1984.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

11. Contingencies

(a) Retirement compensation benefits

Prior to November 1, 1974, the Corporation provided a post-retirement life insurance plan for its retired employees. On that date, the plan was replaced by a retirement compensation benefit for all employees on staff at the time. The cost of this benefit is recognized in the accounts in the year in which payments are made. As at December 31, 1984, the maximum liability of the Corporation under this plan, should all entitled employees retire while in the service of the Corporation, amounted to $1,738,000 ($1,821,000 as at March 31, 1984).

(b) Estimated amount due to CTO partners

In the fiscal year ended March 31, 1984, the Corporation signed the agreement terminating the Commonwealth Telecommunications Organisation (CTO) Financial Agreement of 1973. Once the governments of all 26 member countries have completed the signing formalities, the CTO Financial Agreement of 1973 will legally be terminated, retroactive to March 31, 1983. However, partnership accounts have only been finalized up to March 31, 1981. For those years in which accounts have not been finalized, the Corporation has provided in its liabilities for the excess of provisional settlements received over the estimated recoverable amounts. However, the results of the final settlements for those years could differ from the estimated amounts.

12. Announced Privatization of the Corporation

In a statement dated October 30, 1984, the Minister of Regional Industrial Expansion announced the intention of the Government of Canada to sell the Corporation to the private sector. The process of privatization and the eventual disposal price are not determinable at the time of preparation of these financial statements.

SUMMARY PAGE

URANIUM CANADA, LTD.

MANDATE

To negotiate, execute and perform agreements for the purchase, stock-piling and sale of uranium concentrates on behalf of the Crown and to do anything necessary or incidental thereto.

BACKGROUND

The corporation accumulated 24 million pounds of uranium oxide and made sales from this to utilities abroad. The last of the stockpile (14.5 million pounds) was transferred to Eldorado Nuclear Limited in 1981.

Uranium Canada is to be wound up soon; authority to do that has now been granted by Parliament through Bill C-60.

CORPORATION DATA

HEAD OFFICE	580 Booth Street Ottawa, Ontario K1A 0E4
STATUS	— Schedule C, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Patricia Carney, P.C., M.P.
DEPARTMENT	Energy, Mines and Resources
DATE AND MEANS OF INCORPORATION	Letters Patent — *Canada Corporations Act* 71/06/21. Continued under *Canada Business Corporations Act* 80/11/04
CHIEF EXECUTIVE OFFICER AND PRESIDENT	G.M. MacNabb
CHAIRMAN	Vacant
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY The corporation has negligible assets and is inactive.

URANIUM CANADA, LIMITED

AUDITOR'S REPORT

THE HONOURABLE PAT CARNEY, P.C., M.P.
MINISTER OF ENERGY, MINES AND RESOURCES

I have examined the balance sheet of Uranium Canada, Limited as at December 31, 1984. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this financial statement presents fairly the financial position of the Corporation as at December 31, 1984 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statement have, in all significant respects, been in accordance with the Financial Administration Act and regulations and the articles and by-laws of the Corporation.

D. L. MEYERS, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 21, 1985

BALANCE SHEET AS AT DECEMBER 31, 1984

ASSETS	1984	1983	EQUITY OF CANADA	1984	1983
	$	$		$	$
Cash	9	9	Capital stock		
			Authorized and issued		
			1,000 shares of no par value	9	9
	9	9		9	9

Approved by the Board:

G. M. MacNABB
Director

H. B. MERLIN
Director

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 1984

1. Objective of the Corporation

The objective of the Corporation is to negotiate, execute and perform agreements for the purchase, stockpiling and sale of uranium concentrates and to do or procure the doing of anything necessary or incidental thereto, all subject to the approval of the Governor in Council. Since the transfer of the uranium stockpile to Eldorado Nuclear Limited in 1981, the Corporation has not transacted any purchases or sales, therefore no revenue has been generated or expenses incurred, and accordingly, a statement of operations has not been presented.

2. The Corporation's Objective for 1985

The objective of the Corporation, as proposed in UCAN's Corporate Plan for the period 1985-89, is to complete arrangements for the winding up of the company's affairs. There is no foreseeable requirement for the procurement and stockpiling of uranium concentrates by the federal government that would justify continuance of the Corporation. The Corporate Plan was approved by the Governor General in Council on December 21, 1984 (P.C. 1984-4163). Parliamentary approval must be obtained for the legislation necessary to dissolve the company.

3. Services provided without charge

Administrative services are provided to the Corporation without charge by the Department of Energy, Mines and Resources and are not recorded in this financial statement.

SUMMARY PAGE

VANCOUVER PORT CORPORATION

MANDATE

Administration, management and control of the Vancouver Harbour and all the works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

The Vancouver Port Corporation was established on July 1, 1984 pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. Vancouver is the largest port in Canada. A record 59.3 million tonnes of cargo passed through the port in 1984, an increase of 14.8% from the previous year. Coal (19.8 million tonnes) and grain (10.9 million tonnes) are the most important commodities; however, sulphur and potash are growing in importance.

CORPORATION DATA

HEAD OFFICE	1900 Granville Square 200 Granville Street Vancouver, British Columbia V6C 2P9
STATUS	— Schedule C, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	July 1, 1983; letters patent of incorporation issued by the Minister of Transport pursuant to subsection 6.2(1) of the *Canada Ports Corporation Act*.
CHIEF EXECUTIVE OFFICER	Francis J. MacNaughton
CHAIRMAN	H.D. Perry
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	**Six months to Dec. 31, 1984**
At the end of the period		
Total Assets	221.0	206.3
Obligations to the private sector	nil	nil
Obligations to Canada	108.5	108.7
Equity of Canada	98.6	81.8
Cash from Canada in the period		
— budgetary	nil	nil
— non-budgetary	nil	nil

VANCOUVER PORT CORPORATION

AUDITOR'S REPORT

THE HONOURABLE DONALD MAZANKOWSKI, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of Vancouver Port Corporation as at December 31, 1984 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Ports Corporation Act and by-laws of the Corporation.

RAYMOND DUBOIS, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 1, 1985

BALANCE SHEET AS AT DECEMBER 31, 1984
(in thousands of dollars)

ASSETS	1984	1983
Current		
Cash	827	259
Investments (Note 3)	28,692	29,884
Accounts receivable	9,264	9,639
Materials and supplies	718	570
	39,501	40,352
Long-term		
Investments (Note 3)	9,410	9,348
Receivables (Note 4)	4,596	4,929
	14,006	14,277
Fixed (Note 5)	167,446	151,708
	220,953	206,337

LIABILITIES	1984	1983
Current		
Accounts payable and accrued liabilities	6,186	6,737
Grants in lieu of municipal taxes	4,710	5,095
Deferred revenues	2,129	3,303
	13,025	15,135
Long-term		
Accrued employee benefits	952	839
Loans from Canada (Note 6)	108,377	108,538
	109,329	109,377
	122,354	124,512
EQUITY OF CANADA		
Contributed capital (Note 1)	7,733	7,733
Retained earnings	90,866	74,092
	98,599	81,825
	220,953	206,337

Approved by the Board:

CECIL S. COSULICH
Vice-Chairman

ALAN F. CAMPNEY
Director

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
	(12 months)	(6 months)
Revenue from operations	94,746	42,484
Operating and administrative expenses	73,294	32,911
Grants in lieu of municipal taxes	4,391	3,202
Depreciation	4,526	1,837
Interest expense	361	187
	82,572	38,137
Income from operations	12,174	4,347
Investment income	4,600	2,309
Net income	16,774	6,656
Retained earnings at beginning of the period	74,092	67,436
Retained earnings at end of the period	90,866	74,092

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1984
(in thousands of dollars)

	1984	1983
	(12 months)	(6 months)
Funds provided		
Operations		
Net income	16,774	6,656
Items not requiring an outlay of funds		
Depreciation	4,526	1,837
Other	115	(45)
	21,415	8,448
Reduction of long-term receivables	333	319
Proceeds on sale of fixed assets	16	11
Proceeds on sale of long-term investments		2,642
	21,764	11,420
Funds employed		
Additions to fixed assets	20,344	15,132
Reduction of long-term loans from Canada	161	149
	20,505	15,281
Increase (decrease) in working capital	1,259	(3,861)
Working capital at beginning of the period	25,217	29,078
Working capital at end of the period	26,476	25,217

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. Incorporation and objectives

The Vancouver Port Corporation (the Corporation) was established effective July 1, 1983 as a local port corporation pursuant to the Canada Ports Corporation Act and is named as a Crown corporation in Schedule C, Part II of the Financial Administration Act. The Corporation is exempt from income taxes.

The objectives of the Corporation are to manage and operate the harbour of Vancouver as an effective instrument in support of the national ports policy as set out in the Canada Ports Corporation Act.

In accordance with the Canada Ports Corporation Act, all rights, obligations and liabilities of the Canada Ports Corporation (C.P.C.), formerly National Harbours Board, relating to the Port of Vancouver were transferred to the Corporation by C.P.C. effective July 1, 1983. The net assets transferred were recorded by the Corporation as contributed capital of $7,733,000 and retained earnings of $67,436,000 at the book values established in the accounts of C.P.C.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

Fixed assets and depreciation

Fixed assets are recorded at cost except for those transferred to the National Harbours Board, now C.P.C., from Canada which are recorded at appraised or fair market values established at the time of that transfer. Depreciation of fixed assets is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	40 years
Berthing structures, buildings, roads and surfaces	10 to 40
Utilities	10 to 33
Machinery and equipment	1 to 20
Office furniture and equipment	5 years

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

Insurance

The Corporation assumes substantially all risks against fire and property damage, as well as for worker's compensation claims. Any costs arising from these risks are recorded in the accounts in the period incurred.

Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay and annual leave. These benefits are provided for under collective agreements and corporate policy.

3. Investments

Funds are invested in Government of Canada treasury bills (current) and bonds (long-term) which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. At December 31, 1984, the market value of treasury bills approximated carrying value and the market value of bonds was $9,085,000.

4. Long-term receivables

Long-term receivables originally resulting from sales of fixed assets by C.P.C. become due over periods from 10 to 12 years at interest rates varying from 5.75% to 6.625%.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984—*Concluded*

5. Fixed assets

	1984			1983
	Cost	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Land	79,083		79,083	79,079
Dredging	247	147	100	106
Berthing structures	41,536	19,723	21,813	21,792
Buildings	19,330	7,202	12,128	12,530
Utilities	9,767	3,829	5,938	5,650
Roads and surfaces	24,384	10,586	13,798	12,408
Machinery and equipment	21,666	6,089	15,577	4,790
Office furniture and equipment	576	470	106	85
Projects under construction	18,903		18,903	15,268
	215,492	48,046	167,446	151,708

6. Loans from Canada

	1984	1983
	(in thousands of dollars)	
Interest bearing loan at 7.5% repayable in blended annual instalments until December 31, 2000	4,667	4,816
Less: current portion	161	149
	4,506	4,667
Non-interest bearing loan with an indefinite due date	76,494	76,494
Accrued interest not due and payable	27,377	27,377
	108,377	108,538

The non-interest bearing loan and accrued interest not due and payable were transferred to the Corporation by C.P.C. effective July 1, 1983. This loan replaced an interest bearing loan of the same amount on which interest of $27,377,000 had accrued to December 31, 1980.

Principal repayment requirements over the next five years amount to $161,000 in 1985, $173,000 in 1986, $185,000 in 1987, $199,000 in 1988 and $214,000 in 1989.

7. Commitments and contingencies

At December 31, 1984 the estimated cost of completing all approved capital projects was $32 million of which the Corporation had contractual obligations at that date for $11.8 million. The latter amount includes $8.0 million which represents the balance due to Canada Harbour Place Corporation for the construction of a cruise ship facility at Canada Place in Vancouver, B.C. The Corporation paid $14.8 million of the $22.8 million contract cost in 1984.

Claims aggregating approximately $2 million in respect of lawsuits, guarantees, employee agreements, damage allegedly suffered on the Corporation's property and sundry other matters in dispute have been made against the Corporation. In the opinion of management, the final outcome of such claims will not result in any material loss.

The Corporation has long-term lease obligations for office accommodation aggregating $1,717,000 for the period from January 1, 1985 to October 31, 1988 at a base annual rent of $448,000. The obligations also call for payment of a pro-rata share of operating costs estimated at $65,000 for 1985.

8. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations.

In addition to the loans from Canada disclosed in Note 6 and the payments to Canada Harbour Place Corporation referred to in Note 7 the Corporation paid $1.7 million to Canada Ports Corporation as its share of that Corporation's head office expense.

SUMMARY PAGE

VIA RAIL CANADA INC.

MANDATE

To manage rail passenger services in Canada in such a manner as to improve their efficiency, effectiveness and economy.

BACKGROUND

In accordance with contracts with the Minister of Transport, VIA Rail operates inter-city, transcontinental, regional and remote passenger train services over CN and CP railway tracks.

CORPORATION DATA

HEAD OFFICE	2 Place Ville-Marie, Montreal, Quebec H3B 2G6
STATUS	— Schedule C, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Donald F. Mazankowski, P.C., M.P.
DEPARTMENT	Transport
DATE AND MEANS OF INCORPORATION	Incorporated under the *Canada Business Corporations Act* on January 12, 1977. The Minister of Transport acquired all common shares on April 1, 1978.
PRESIDENT AND CHIEF EXECUTIVE OFFICER	Pierre A.H. Franche
CHAIRMAN	Lawrence Hanigan
AUDITOR	Samson Bélair

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1984	1983	1982	1981
At the end of the year				
Total Assets	749.8	652.4	538.4	401.6
Cash and Short Term Securities	27.4	157.2	131.3	26.2
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	11.0	19.7
Equity of Canada	608.8	531.5	383.5	277.7
Cash from Canada in the year				
— budgetary	473.5	597.6	534.8	530.9
— non-budgetary	nil	nil	nil	nil

RESPONSIBILITY FOR PREPARATION AND INTEGRITY OF FINANCIAL STATEMENTS

The management of VIA is responsible for the preparation and integrity of the financial statements contained in the Annual Report. These statements have been prepared in accordance with generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgement. Management considers that the statements present fairly the financial position of VIA and the results of its operations.

To fulfill its responsibility, VIA maintains systems of internal accounting controls, policies and procedures to ensure the reliability of financial information and to safeguard assets. The internal control systems and financial records are subject to reviews by internal auditors and by Samson Bélair, Chartered Accountants, during the examination of the financial statements.

The Audit Committee of the Board of Directors meets periodically with the internal and external auditors, and with management to approve the scope of audit work and to assess reports on audit work performed. The financial statements have been reviewed by the Audit Committee and approved by the Board of Directors upon their recommendation.

AUDITORS' REPORT

TO THE HONOURABLE
THE MINISTER OF TRANSPORT

We have examined the statements of income and retained earnings and changes in financial position of VIA Rail Canada Inc. for the year ended December 31, 1984 and its balance sheet at that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements were, in all material respects, in accordance with Part XII of the Financial Administration Act and regulations thereto, the charter and by-laws of the Corporation and any directive given to the Corporation.

SAMSON BÉLAIR
Chartered Accountants

Montreal, Canada
February 4, 1985

BALANCE SHEET AS AT DECEMBER 31
(in thousands of dollars)

	1984	1983
Current assets		
Cash and short-term securities	27,387	157,157
Accounts receivable	9,588	9,329
Advance on contracts (Note 3)	8,432	22,680
Due from the Government of Canada	113,765	18
Inventory and supplies	9,089	909
	168,261	190,093
Long-term assets		
Property and equipment (Note 4)	570,452	450,461
Deferred charges (Note 2f)	11,123	11,827
	581,575	462,288
	749,836	652,381

	1984	1983
Current liabilities		
Accounts payable and accrued liabilities	131,903	112,834
Deferred revenue	2,873	2,977
	134,776	115,811
Long-term liabilities		
Deferred income taxes	6,249	5,033
	6,249	5,033
SHAREHOLDER'S EQUITY		
Share capital (Note 5)	9,300	9,300
Contributed surplus (Note 6)	592,829	517,129
Retained earnings	6,682	5,108
	608,811	531,537
	749,836	652,381

Signed on behalf of the Board:

JACK WIEBE
Director and Chairman of the Audit Committee

HAROLD A. RENOUF
Director and Chairman of the Board

STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1984	1983
Revenue		
Passenger	177,041	173,325
Contract (Note 11b)	397,796	451,200
Other	24,046	21,188
	598,883	645,713
Expenses		
Operations and maintenance (Notes 1b, 2b and 11b)	356,847	418,314
Customer and support services	153,661	137,063
General and administrative	51,653	60,449
Depreciation and amortization	33,932	26,700
	596,093	642,526
Income before income taxes	2,790	3,187
Provision for deferred income taxes	1,216	1,565
Net income	1,574	1,622
Retained earnings		
Balance at beginning of year	5,108	3,486
Balance at end of year	6,682	5,108

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1984	1983
Source of Funds		
Operations		
Net income for the year	1,574	1,622
Items not affecting current funds		
Depreciation and amortization	33,932	26,700
Deferred income taxes	1,216	1,565
Loss on retirement of assets	430	6,167
Funds provided from operations	37,152	36,054
Capital advances from the Government of Canada	75,700	146,440
Advance on contract		15,775
	112,852	198,269
Application of Funds		
Acquisition of property and equipment	149,216	129,454
Deferred charges	4,433	5,678
Reduction of long-term debt		2,175
	153,649	137,307
Increase (decrease) in working capital	(40,797)	60,962
Working capital at beginning of year	74,282	13,320
Working capital at end of year	33,485	74,282

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1984

1. Operating agreements

(a) Railway Passenger Service Contract

The Corporation has entered into an agreement with the Government of Canada whereby the Corporation is to provide services, activities and undertakings relating to the provision, management and operation of railway passenger services in Canada.

The agreement also provides that the Minister of Transport and the Corporation shall enter into Subsidiary Service Request Agreements with respect to specified intercity rail passenger services.

(b) Canadian National Railway Company and Canadian Pacific Limited

The Corporation has entered into operating agreements with the railways for the use of tracks, facilities, train personnel, rolling stock servicing and refurbishing.

During the year, the costs relating to these agreements net of capital expenditures amounted to $341,739,000 ($390,092,000 in 1983) and are included in operations and maintenance.

2. Summary of significant accounting policies

(a) Revenue recognition

Passenger revenue is recognized when earned. Contract revenue is recognized on a realized and estimated basis.

(b) Railway charges

Charges from the contracting railways in respect of the operating agreements are recorded on an incurred and estimated basis.

These expenditures are subject to adjustment by the Canadian Transport Commission following a review of the actual costs incurred each year by the parties concerned.

(c) Inventory and supplies

Inventory and supplies are recorded at the lower of cost, determined on the first-in, first-out method, and replacement value.

(d) Property and equipment

Property and equipment is recorded at cost and includes the capitalization of the costs of refurbishing and rebuilding of rolling stock, for the first time. This is incurred to improve and extend the useful lives of the assets concerned. The costs of refurbishing and rebuilding of rolling stock, for a second time, except for major renewals, are charged to operations.

During the year, second time refurbishing and rebuilding costs amounted to $18,834,000 ($17,125,000 in 1983) and are included in operations and maintenance.

(e) Depreciation

Depreciation of rolling stock is calculated on a straight-line basis at rates determined to write them off over their estimated useful lives. Rolling stock is depreciated over an eight to thirty-year period.

Stations and other fixed assets are depreciated on a straight-line basis. Depreciation periods vary from three to ten years.

Office furniture and equipment is depreciated on a straight-line basis over a three to twenty-year period.

Leasehold and infrastructure improvements are amortized over the terms of the leases or with reference to the estimated useful life, as appropriate. Amortization periods vary from four to thirty-eight years.

No depreciation is provided for projects in progress.

(f) Deferred charges

Deferred charges consist primarily of the costs incurred for the development of information systems, the major one being an automated reservation and ticketing system. These costs are being amortized over a three to seven-year period. Accumulated amortization of deferred charges totalled $21,895,000 ($17,456,000 in 1983).

(g) Pensions

Current service costs are charged to operations, and funded, as they accrue.

Past service costs are charged to operations and funded by annual payments covering principal and interest over periods not exceeding twenty-five years.

(h) Income taxes

The tax allocation basis of accounting for income taxes is followed whereby tax provisions are based on accounting income and taxes relating to timing differences between accounting and taxable income are deferred.

3. Advance on contracts

Advance on contracts represent deposits made on capital projects for the construction of maintenance facilities, infrastructure improvements and the purchase of rolling stock.

4. Property and equipment

	1984	1983
	(in thousands of dollars)	
Land	365	365
Rolling stock	357,545	336,121
Stations and other fixed assets	3,245	2,790
Office furniture and equipment	16,114	12,013
Leasehold and infrastructure improvements	33,057	18,110
	410,326	369,399
Accumulated depreciation and amortization	86,048	57,485
	324,278	311,914
Projects in progress	246,174	138,547
	570,452	450,461

5. Share capital

	1984	1983
	(in thousands of dollars)	
Authorized		
An unlimited number of common shares of no par value		
Issued and fully paid		
93,000 common shares	9,300	9,300

6. Contributed surplus

Contributed surplus represents advances received or due from the Government of Canada for capital expenditures.

7. Commitments

As at December 31, 1984 the Corporation has outstanding commitments mainly relating to the purchase of property and equipment amounting to approximately $34,007,000.

8. Leases

The Corporation has commitments with respect to real estate leases, and rental of computer equipment and services. The minimum annual commitment under such leases is approximately as follows:

	(in thousands of dollars)
1985	13,908
1986	13,944
1987	9,021
1988	7,183
1989	6,276
1990 and subsequent	97,217
	147,549

9. Pension plans

The Corporation has retirement benefit plans covering all its permanent employees under which they are entitled to benefits at retirement age, based on compensation and length of service. An actuarial valuation of the pension plans was carried out at December 31, 1983. Based on this actuarial valuation, the unfunded liability in respect of past service costs at December 31, 1984 amounted to approximately $20,202,000 ($33,512,000 in 1983). Total pension costs charged to operations for the year was $15,936,000 ($11,507,000 in 1983) including past service costs of $11,589,000 ($7,597,000 in 1983).

10. Related party transactions

VIA Rail Canada Inc. is a Crown Corporation with all of the issued shares owned by the Government of Canada.

In the normal course of business, the Corporation contracts with other Crown Corporations for services which in 1984 amounted to $300,368,000 ($328,648,000 in 1983). The amounts payable to these Crown Corporations at December 31, 1984 amounted to $14,460,000 ($12,721,000 in 1983).

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1984—*Concluded*

11. Comparative figures

 (a) Certain of the 1983 figures have been reclassified so as to conform with the presentation adopted in 1984.

 (b) The 1984 figures in the statement of income reflect revisions in certain estimates of charges from the contracting railways. The changes in estimates are the necessary consequence of additional and new information arising in the current year. These revisions have resulted in reductions in 1984 expenses of $21,021,000 and a corresponding reduction of $21,021,000 in contract revenue. If, in 1983 revisions in estimates of this type had been accounted for in the current period consistent with the treatment followed in 1984, the effect would be to reduce 1983 expenses by $27,891,000 and contract revenue by $27,891,000.

12. Contingency

Revenue Canada, in the course of an audit of the Corporation's taxation returns for the years ended December 31, 1979, 1980 and 1981, has in discussions with management taken the position that the amounts received from the Government of Canada included in contributed surplus (Note 6) constitute a form of assistance and accordingly under the Income Tax Act should reduce the capital cost of the assets acquired.

This position would give rise to an additional tax liability estimated at approximately $52 million including interest, for all taxation years, up to December 31, 1984. Of this amount, approximately $18 million would be attributable to 1984 and approximately $14 million to 1983.

Management of the Corporation holds the opinion that the amounts in question represent equity funding, by virtue of the Government's position as sole shareholder, and therefore have been correctly treated as contributed surplus, in accordance with generally accepted accounting principles. This view has been supported by special legal counsel.

No Notices of Reassessment have been issued by Revenue Canada. Management of the Corporation is of the firm opinion that the Corporation's tax returns, as filed, are correct. Accordingly, no provision has been made in the Corporation's accounts to reflect any position other than to continue to treat the equity funding as contributed surplus.

13. Subsequent Events

 (a) The Corporation has contractual agreements (Note 1b) with the railways. Charges from the contracting railways are subject to adjustment (Note 2b) by the Canadian Transport Commission following a review of the actual costs incurred.

 On January 31, 1985 management was advised by the Canadian Transport Commission that the recommended level of adjustment of these railway charges to VIA pertaining to 1983 will be reported on March 31, 1985 but that thus far no firm figures are available on which to base a settlement charge. Any adjustment upon the resolution of this matter will be accounted for in the Statement of Income in the period in which the resolution occurs.

 (b) On January 15, 1985 the Minister of Transport for Canada announced the decision that VIA Rail Canada Inc. would remain a separate crown entity with its own legislated mandate.

 The Minister reaffirmed the Government's intentions to improve passenger rail service in Canada. In this regard, the restoration of six passenger rail services was announced as well as measures aimed at reequipping locomotives and cars.

 While Management firmly believes that these measures will affect the results of operations and the financial position of the Corporation, the financial impact cannot be estimated with any certainty at this time.

4.2

FINANCIAL STATEMENTS OF EXEMPTED PARENT CROWN CORPORATIONS

BANK OF CANADA

AUDITORS' REPORT

We have examined the statement of assets and liabilities of the Bank of Canada as at December 31, 1984 and the statement of revenue and expense for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Bank as at December 31, 1984 and the results of its operations for the year then ended in accordance with the accompanying summary of significant accounting policies, applied on a basis consistent with that of the preceding year.

RAYMOND, CHABOT, MARTIN, PARÉ & ASSOCIÉS
THORNE RIDDELL

Ottawa, Canada
January 14, 1985

STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 1984
(with comparative figures for 1983)
(in thousands of dollars)

ASSETS	1984	1983
Deposits payable in foreign currencies		
U.S.A. dollars	183,699	305,045
Other currencies	3,320	4,068
	187,019	309,113
Advances to members of the Canadian Payments Association	50,000	25,000
Investments—At amortized values (Note 2)		
Treasury bills of Canada	3,483,072	2,762,816
Other securities issued or guaranteed by Canada maturing within three years	4,654,031	4,575,975
Other securities issued or guaranteed by Canada not maturing within three years	9,015,242	9,687,675
Other investments	476,448	274,070
	17,628,793	17,300,536
Bank premises (Note 3)	93,324	85,420
Cheques drawn on members of the Canadian Payments Association	531,524	2,210,625
Accrued interest on investments	401,189	431,505
Collections and payments in process of settlement Government of Canada (net)	36,318	312,571
Other assets	5,470	5,742
	18,933,637	20,680,512

LIABILITIES	1984	1983
Capital paid up (Note 4)	5,000	5,000
Rest fund (Note 5)	25,000	25,000
Notes in circulation	15,236,012	14,163,088
Deposits		
Government of Canada	54,950	90,407
Chartered banks	2,772,117	3,446,392
Other members of the Canadian Payments Association	36,585	146,805
Other deposits	230,291	149,459
	3,093,943	3,833,063
Liabilities payable in foreign currencies		
Government of Canada	12,642	82,925
Other	25	24
	12,667	82,949
Bank of Canada cheques outstanding	552,701	2,566,286
Other liabilities	8,314	5,126
	18,933,637	20,680,512

See accompanying notes to the financial statements.

G. K. BOUEY
Governor

A. C. LAMB
Chief Accountant

BANK OF CANADA—*Concluded*

STATEMENT OF REVENUE AND EXPENSE
YEAR ENDED DECEMBER 31, 1984
(with comparative figures for 1983)
(in thousands of dollars)

	1984	1983
Revenue		
Revenue from investments and other sources net of interest paid on deposits of $6,724 ($2,493 in 1983)	1,981,564	1,861,559
Expense		
Salaries[1]	51,762	47,588
Contributions to pension and insurance funds[2]	6,516	6,033
Other staff expenses[3]	1,871	1,529
Directors' fees	98	87
Auditors' fees and expenses	338	319
Taxes—Municipal and business	7,146	6,535
Banknote costs	26,408	27,086
Data processing and computer costs	3,845	4,687
Premises maintenance—Net of rental income[4]	10,827	8,790
Printing of publications	568	563
Other printing and stationery	1,927	1,532
Postage and express	1,785	1,607
Telecommunications	1,668	1,574
Travel and staff transfers	1,871	1,524
Other expenses	1,223	1,005
	117,853	110,459
Depreciation on buildings and equipment	11,526	6,899
	129,379	117,358
Net revenue paid to Receiver General for Canada (Note 5)	1,852,185	1,744,201

See accompanying notes to the financial statements.

[1] Salaries include overtime and are for Bank staff other than those engaged in premises maintenance. The number of employee years worked by such staff (including temporary, part-time and overtime work) was 2,129 in 1984 compared with 2,078 in 1983.

[2] Contributions to pension and insurance funds for Bank staff other than those engaged in premises maintenance.

[3] Other staff expenses include cafeteria expenses, retirement allowances, educational training costs and medical expenses.

[4] Premises maintenance comprises building and equipment maintenance expenses including related staff costs.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 1984

1. Significant Accounting Policies

The financial statements of the Bank conform to the disclosure and accounting requirements of the Bank of Canada Act and the Bank's by-laws. The significant accounting policies of the Bank are:

(a) Revenues and Expenses

Revenues and expenses have been accounted for on the accrual basis.

(b) Investments

Investments, consisting mainly of Government of Canada treasury bills and bonds, are recorded at cost adjusted for amortization of purchase discounts and premiums. The amortization as well as gains and losses on disposition are included in revenue.

(c) Translation of Foreign Currencies

Assets and liabilities in foreign currencies have been translated to Canadian dollars at the rates of exchange prevailing at the year-end. Gains and losses from translation of, and transactions in, foreign currencies are included in revenue.

(d) Bank Premises

Bank premises, consisting of land, building and equipment, are recorded at cost less accumulated depreciation. Depreciation is charged on the declining balance method using the following annual rates:

Buildings	5%
Computer equipment	35%
Other equipment	20%

2. Investments

Included in investments are securities of the Government of Canada totalling $40,102,870 ($220,587,546 in 1983) held under Purchase and Resale Agreements.

3. Bank Premises

	1984			1983
	Cost	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Land and buildings	112,876	46,481	66,395	66,449
Computer equipment	16,764	8,771	7,993	8,274
Other equipment	22,095	13,760	8,335	6,051
	151,735	69,012	82,723	80,774
Projects in progress	10,601		10,601	4,646
	162,336	69,012	93,324	85,420

4. Capital

The authorized capital of the Bank is $5,000,000 divided into 100,000 shares of the par value of $50 each. The shares are fully paid and in accordance with the Bank of Canada Act have been issued to the Minister of Finance, who is holding them on behalf of Canada.

5. Rest Fund

The rest fund was established by the Bank of Canada Act and represents the general reserve of the Bank. In accordance with the Act, the rest fund was accumulated out of net revenue until it reached the stipulated maximum amount of $25,000,000 in 1955. Subsequently all net revenues have been paid to the Receiver General for Canada.

6. Contingent Liability

The Bank has agreed with the Bank for International Settlements to participate in an international initiative to provide credit facilities to the International Monetary Fund. The Bank's potential liability under this agreement, which expires in September 1987, is limited to the placing of deposits with the Bank for International Settlements, if required, to finance loans made under the facility. As at December 31, 1984, pursuant to the agreement, the Bank is contingently liable in the amount of $81,216,065; the maximum liability which could be incurred by the Bank under the agreement is SDR 180,000,000 ($233,197,738 at the December 31, 1984 exchange rate).

CANADA COUNCIL

AUDITOR'S REPORT

TO THE CANADA COUNCIL AND
THE HONOURABLE MARCEL MASSE, P.C., M.P.
MINISTER OF COMMUNICATIONS

I have examined the balance sheets of the Endowment Account and Special Funds of the Canada Council as at March 31, 1985 and the statements of revenue and expenditure and equity of the Endowment Account and Special Funds and the statement of changes in financial position of the Endowment Account for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Council as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 7, 1985

ENDOWMENT ACCOUNT

BALANCE SHEET AS AT MARCH 31, 1985
(in thousands of dollars)

ASSETS	1985	1984
Cash and short-term deposits	5,186	3,088
Accrued interest	1,442	1,720
Accounts receivable	125	148
Prepaid expenses	300	100
Investments (Note 4)	80,457	82,373
Equipment and leasehold improvements (Note 5)	266	329
Works of art	9,516	8,804
	97,292	96,562

LIABILITIES	1985	1984
Bank overdraft	1,479	731
Approved grants payable	18,451	16,251
Accounts payable and accrued liabilities	1,564	1,424
Deferred revenue	210	189
Due to Special Funds (Note 6)	2,197	7,232
Provision for employee termination benefits	1,015	827
	24,916	26,654
EQUITY		
Fund capital		
Principal, established pursuant to Section 14 of the Act	50,000	50,000
Accumulated net gains on disposal of investments	9,586	8,773
	59,586	58,773
Contributed surplus—Works of art	9,516	8,804
	69,102	67,577
Surplus		
Appropriated	2,300	2,300
Unappropriated	974	31
	3,274	2,331
	72,376	69,908
	97,292	96,562

Approved by the Council:

PETER BROWN
Treasurer

MAUREEN FORRESTER
Chairman

SPECIAL FUNDS

BALANCE SHEET AS AT MARCH 31, 1985
(in thousands of dollars)

ASSETS	1985	1984	LIABILITIES	1985	1984
Cash and short-term deposits	1,527	1,811	Bank overdraft	154	
Accrued interest	504	436	Approved grants payable	2,415	1,579
Investments (Note 4)	27,446	19,914		2,569	1,579
Due from Endowment Account (Note 6)	2,197	7,232			
			EQUITY		
			Fund capital		
			Principal	27,809	26,265
			Accumulated net gains on disposal of investments	881	976
				28,690	27,241
			Unappropriated surplus	415	573
				29,105	27,814
	31,674	29,393		31,674	29,393

Approved by the Council:

PETER BROWN
Treasurer

MAUREEN FORRESTER
Chairman

STATEMENT OF REVENUE AND EXPENDITURE OF THE ENDOWMENT ACCOUNT FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Revenue		
Parliamentary grant	72,614	65,581
Interest and dividends	10,601	9,816
Art Bank rental fees	596	580
Cancelled grants, approved in previous years, and refunds	334	437
	84,145	76,414
Expenditure		
Arts		
Grants and services	69,396	64,661
Administration (Schedule)	6,042	5,611
Works of art	712	844
	76,150	71,116
Canadian Commission for UNESCO		
Administration (Schedule)	852	813
Grants	189	115
	1,041	928
General administration (Schedule)	6,011	5,928
	83,202	77,972
Excess of revenue over expenditure (expenditure over revenue) for the year	943	(1,558)

STATEMENT OF EQUITY OF THE ENDOWMENT ACCOUNT FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	Fund capital				Contributed surplus		Surplus			
		Accumulated net gains on disposal of investments	Total		Total				Total	
	Principal		1985	1984	1985	1984	Appropriated	Unappropriated	1985	1984
Balance at beginning of the year	50,000	8,773	58,773	54,534	8,804	7,960	2,300	31	2,331	3,889
Net gains on disposal of investments		813	813	4,239						
Works of art purchased during the year					712	844				
Excess of revenue over expenditure (expenditure over revenue) for the year								943	943	(1,558)
Balance at end of the year	50,000	9,586	59,586	58,773	9,516	8,804	2,300	974	3,274	2,331

STATEMENT OF REVENUE, EXPENDITURE AND EQUITY OF THE SPECIAL FUNDS (NOTE 2) FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	Izaak Walton Killam Memorial	Killam Special Scholarship	Jean A. Chalmers	Molson Prize	Lynch-Staunton	Frances E. Barwick	John B.C. Watkins	Vida Peene	Total 1985	Total 1984
Revenue and expenditure										
Revenue										
Interest and dividends	1,467	1,093	32	102	105		17	65	2,881	2,293
Expenditure										
Grants	1,220	1,107		100	87			65	2,579	1,753
Administration	117	105		4					226	169
	1,337	1,212		104	87			65	2,805	1,922
Excess of revenue over expenditure (expenditure over revenue)	130	(119)	32	(2)	18		17		76	371
Equity										
Fund capital										
Principal										
Balance at beginning of the year	13,036	10,930		1,000	699			600	26,265	18,340
Cash received		770	500			40			1,310	7,737
Net income capitalized	135	99							234	188
Balance at end of the year	13,171	11,799	500	1,000	699	40		600	27,809	26,265
Accumulated net gains on disposal of investments										
Balance at beginning of the year	554	260		55	107				976	60
Net gains (losses) on disposal of investments	(82)	(36)		11	12				(95)	916
Balance at end of the year	472	224		66	119				881	976
	13,643	12,023	500	1,066	818	40		600	28,690	27,241

STATEMENT OF REVENUE, EXPENDITURE AND EQUITY OF THE SPECIAL FUNDS (NOTE 2)
FOR THE YEAR ENDED MARCH 31, 1985—*Concluded*
(in thousands of dollars)

	Izaak Walton Killam Memorial	Killam Special Scholarship	Jean A. Chalmers	Molson Prize	Lynch-Staunton	Frances E. Barwick	John B.C. Watkins	Vida Peene	Total 1985	Total 1984
Unappropriated surplus										
Balance at beginning of the year	6	219		4	261		83		573	390
Excess of revenue over expenditure (expenditure over revenue)	130	(119)	32	(2)	18		17		76	371
Net income capitalized	(135)	(99)							(234)	(188)
Balance at end of the year	1	1	32	2	279		100		415	573
	13,644	12,024	532	1,068	1,097	40	100	600	29,105	27,814

STATEMENT OF CHANGES IN FINANCIAL POSITION
OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Source of funds		
Operations		
Excess of revenue over expenditure (expenditure over revenue) for the year	943	(1,558)
Items not affecting funds		
Depreciation and amortization	204	140
Employee termination benefits	188	174
Grants payable	2,200	612
Others	262	(68)
	3,797	(700)
Decrease in investments	1,916	
Increase in accumulated net gains on disposal of investments	813	4,239
Increase in due to special funds		1,866
	6,526	5,405
Application of funds		
Decrease in due to special funds	5,035	
Acquisition of equipment and leasehold improvements	141	256
Increase in investments		11,140
	5,176	11,396
Increase (decrease) of funds for the year	1,350	(5,991)
Cash and short-term deposits		
Balance at beginning of the year	2,357	8,348
Balance at end of the year	3,707	2,357
Composed of		
Cash and short-term deposits	5,186	3,088
Bank overdraft	(1,479)	(731)
	3,707	2,357

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. Authority and operations

The Canada Council was established by the Canada Council Act in 1957 which authorized the creation of an Endowment Fund of $50 million. Except for the annual parliamentary grant, monies or properties donated to the Council pursuant to Section 20 of the Act are generally accounted for as Special Funds. The Council is not an agent of Her Majesty. Its objectives are to foster and promote the study, enjoyment and production of works in the arts.

2. Special funds

(a) Izaak Walton Killam Memorial

A bequest of $12,339,615 in cash and securities was received from the estate of the late Mrs. Dorothy J. Killam for the establishment of the Izaak Walton Killam Memorial Fund for Advanced Studies "to provide scholarships for advanced study or research at universities, hospitals, research or scientific institutes, or other equivalent or similar institutions both in Canada and in other countries in any field of study or research other than the 'arts' as presently defined in the Canada Council Act and not limited to the 'humanities and social sciences' referred to in such Act."

The bequest contains the following provisions: "the Fund shall not form part of the Endowment Account or otherwise be merged with any assets of the Council"; and "in the event that the Canada Council should ever be liquidated or its existence terminated or its powers and authority changed so that it is no longer able to administer any Killam trust, the assets forming any such Killam trust shall thereupon be paid over the certain universities which have also benefited under the will."

The cash and securities received and the proceeds have been invested in a separate portfolio.

(b) Killam Special Scholarship

A gift of $4,353,609 was received from the estate of the late Mrs. Dorothy J. Killam for the establishment of a Special Scholarship Fund. The gift consisted of preferred shares in a Canadian company. The proceeds on the redemption of these shares have been invested and the income therefrom is available to provide fellowship grants to Canadians for advanced study or research in the fields of medicine, science and engineering at universities, hospitals, research or scientific institutions or other equivalent or similar institutions in Canada. The fund also includes common shares in a company whose major assets have been sold. The Council has received $770,000 during the year (1984—$6.4 million).

(c) Molson Prize

Gifts of $1,000,000 were received from the Molson Foundation for the establishment of the Molson Prize Fund. The income of the fund is used for awarding cash prizes to Canadians "for outstanding achievement in the fields of the Arts, the Humanities or the Social Sciences that enriches the cultural or intellectual heritage of Canada or contributes to national unity". There is no restriction placed on the recipient as to the use of the prize.

(d) Lynch-Staunton

This fund was established by a bequest in cash of $699,066 received from the estate of the late V.M. Lynch-Staunton, the income from which is available for the regular programmes of the Council.

(e) Jean A. Chalmers

An endowment of $500,000 in cash was received from Mrs. Floyd S. Chalmers to establish a special Jean A. Chalmers Fund for the crafts. In consultation with the Canadian Crafts Council, the income of the fund is used to provide a small number of special project grants for the development or advancement of the crafts in Canada.

(f) John B.C. Watkins

This fund was established by a bequest consisting of the net income from the residue of the estate of the late John B.C. Watkins to provide scholarships for postgraduate studies in specified countries.

(g) Vida Peene

This fund was established by a bequest in cash of $599,761 received from the late Vida Peene to provide payments to specified organizations.

(h) Frances Elizabeth Barwick

A bequest of $40,000 in cash was received from the estate of the late Mrs. Frances Elizabeth Barwick with the condition that "such bequest be applied for the benefit and encouragement of the arts".

(i) Funds will eventually be received from the following bequests:

(i) J.P. Barwick
This fund, estimated at $40,000, is intended "for the benefit of the musical division of the arts and for the encouragement of the musical arts".

(ii) Edith Davis Webb
This fund, estimated at $400,000, is intended "for the purpose of making grants or establishing scholarships for musical study in such manner as the Council shall determine".

(iii) Kathleen Coburn
This fund, the amount of which cannot be determined at this time, is to provide for exchanges of scholars between Israel and Canada.

3. Significant accounting policies

(a) Basis of accounting

Revenue and expenditure are recorded on an accrual basis, except for dividends which are recorded on a cash basis.

(b) Investments

Bonds, debentures, equities and mortgages are recorded at cost. The portfolios of three Special Funds (Frances Barwick, Molson Prize and Lynch-Staunton) are merged with the Endowment Account. The participation of each fund is calculated on the basis of market value. Quarterly adjustments are made to take into consideration any capital withdrawals and additional investments. Interest, dividends, gains and losses on disposal of investments are allocated to each fund based on the percentages established at the beginning of each quarter.

(c) Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost and depreciated over their estimated useful lives on the straight-line method, as follows:

Equipment	3 to 5 years
Leasehold improvements	term of the lease (maximum 5 years)

(d) Works of art

Works of art are recorded at cost.

(e) Employee termination benefits

Employees are entitled to specific termination benefits as provided for under the Council's policy and conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(f) Gains and losses on disposal of investments

Pursuant to subsection 19(2) of the Act, net gains on disposal of investments are credited to the fund capital—Accumulated net gains on disposal of investments. Net losses on disposal of investments are charged against this account to the extent of the balance available therein. In the event that losses exceed the balance available in the account, the excess is recorded as an expenditure in the year of realization.

(g) Contributed surplus

Amounts paid during the year to artists for the purchase of works of art are expensed. Such purchases are then capitalized as contributed surplus—Works of art and no depreciation is recorded.

(h) Appropriated surplus

The Council has established a reserve to reduce the erosion of value of the original endowment due to inflation. Any changes in this account are approved by the Council.

(i) Capitalization of net income of Special Funds

The Council capitalizes 10% of the revenue less administration expenditure of the Izaak Walton Killam Memorial Fund for Advanced Studies and the Killam Special Scholarship Fund, in accordance with advice received from the trustees of these Funds in order to preserve the equity of these Funds for future beneficiaries. However, for the purposes of the Funds, the Council reserves the right to draw at any time on the accumulated net income capitalized.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

(j) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Council contribute equally to the cost of the Plan. This contribution represents the total liability of the Council. Contributions with respect to current service are expensed on a current basis.

(k) Grants

Grants approved by the Council are recorded as expenditure in the year determined by the Treasurer in consultation with the Arts Division. Cancelled grants, approved in previous years, and refunds are shown as revenue in the Endowment Account. For Special Funds, such items are deducted from the grants expenditure.

4. Investments

	1985 Cost	1985 Market value	1984 Cost	1984 Market value
	(in thousands of dollars)			
Endowment Account				
Bonds and debentures	48,895	50,792	49,723	47,997
Equities	28,443	38,739	28,867	36,615
Mortgages	3,119	2,626	3,783	3,141
	80,457	92,157	82,373	87,753
Special Funds				
Bonds and debentures	17,343	18,055	12,485	11,977
Equities	9,697	12,038	7,007	8,266
Mortgages	406	273	422	284
	27,446	30,366	19,914	20,527

5. Equipment and leasehold improvements

	1985 Cost	1985 Accumulated depreciation and amortization	1985 Net book value	1984 Net book value
	(in thousands of dollars)			
Equipment	594	394	200	169
Leasehold improvements	264	198	66	160
	858	592	266	329

6. Due to Special Funds/Due from Endowment Account

These accounts represent investments and accrued interest relating to the three special funds merged with the Endowment portfolio, less administration charges of the Killam portfolios and grants payable by John B.C. Watkins Estate.

	1985	1984
	(in thousands of dollars)	
Lynch-Staunton	1,173	1,128
Molson Prize	1,169	1,159
Frances Elizabeth Barwick	40	
Killam Special Scholarship		5,125
	2,382	7,412
John B.C. Watkins		(15)
Killam portfolios	(185)	(165)
	2,197	7,232

Effective April 1, 1984, on the recommendation of the Investment Committee, and ratification of the Executive Committee, the Killam Special Scholarship assets were transferred from the Endowment Account portfolio to the Killam Fund, so as to establish a new stand-alone portfolio.

7. Lease commitments

On March 1, 1985, the Council signed an offer of intent to enter into a lease of office space for a minimum period of 10 years starting November 1, 1985. Based on the provisions of this offer to lease, the annual rental payment of $1.4 million, will commence on February 1, 1987, as a result of a basic rent-free period. In addition, the lessor is to assume all the rights and obligations pursuant to the present lease agreement including amendments and subleases related thereto.

8. Comparative figures

Certain figures for 1984 presented for comparative purposes have been reclassified to conform to the 1985 presentation.

SCHEDULE OF ADMINISTRATION EXPENDITURE
OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	Arts	Canadian Commission for UNESCO	General	Total 1985	Total 1984
Salaries and employee benefits	5,067	617	3,131	8,815	8,306
Rent and maintenance	146		895	1,041	908
Staff travel	562	55	83	700	704
Communications	105	20	570	695	971
Professional services	15	10	363	388	354
Council meetings including members' honoraria		107	252	359	290
Printing, publications and duplicating	86	25	209	320	283
Depreciation and amortization			204	204	140
Office supplies and expenses	15	11	140	166	163
Data processing	4	6	104	114	127
Safekeeping charges			56	56	55
Freight and storage	22			22	40
Miscellaneous	20	1	4	25	11
	6,042	852	6,011	12,905	12,352

CANADIAN BROADCASTING CORPORATION

AUDITOR'S REPORT

TO THE CANADIAN BROADCASTING CORPORATION AND
THE HONOURABLE MARCEL MASSE, P.C., M.P.
MINISTER OF COMMUNICATIONS

I have examined the balance sheet of the Canadian Broadcasting Corporation as at March 31, 1985 and the statements of income and expense and operating parliamentary appropriations, proprietor's equity account and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures, as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the 1968 Broadcasting Act and the by-laws of the Corporation.

E. R. ROWE, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 14, 1985

BALANCE SHEET AS AT MARCH 31, 1985
(in thousands of dollars)

ASSETS	1985	1984
Current		
Cash	10,433	8,834
Accounts receivable	52,911	50,279
Due from Government of Canada	10,797	1,028
Mortgage receivable		5,500
Engineering and production supplies	11,803	10,363
Programs completed and in process of production	51,334	50,748
Prepaid film and script rights and other expenses	30,981	35,950
	168,259	162,702
Investments (Note 3)	5,588	6,332
Fixed (Note 4)	516,962	469,746
	690,809	638,780

LIABILITIES	1985	1984
Current		
Accounts payable and accrued liabilities	116,179	93,290
Accrued vacation pay	39,379	37,779
Refundable balance of parliamentary appropriations—Capital (Note 5)	352	94
Due to Government of Canada		6,119
	155,910	137,282
Long-term		
Provision for employee termination benefits	88,860	87,378
Advances from Government of Canada (Note 6)	33,000	33,000
Obligations under capital leases (Note 7)	504	615
	122,364	120,993
	278,274	258,275
EQUITY OF CANADA		
Proprietor's Equity Account	412,535	380,505
	690,809	638,780

The accompanying notes and schedule A are an integral part of the financial statements.

Approved by the Board of Directors:

RONALD FOURNIER
Vice-President, Finance

PIERRE JUNEAU
Director

MICHEL VENNAT
Director

STATEMENT OF INCOME AND EXPENSE
AND OPERATING PARLIAMENTARY APPROPRIATIONS
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Expense		
National Broadcasting Service, program and distribution costs (see supporting Schedule A for details) (Note 13)	962,357	876,995
Radio Canada International, broadcasting service	16,679	15,473
Papal Visit	9,013	
Total broadcasting services	988,049	892,468
Corporate engineering services	9,562	8,706
Corporate management and services (Note 15)	55,070	36,757
Commissions to agencies and networks	30,170	24,873
Selling expenses	17,721	16,612
	1,100,572	979,416
Income		
Advertising	212,287	179,111
Miscellaneous	16,176	13,314
Parliamentary operating appropriations	808,450	736,442
	1,036,913	928,867
Excess of expense over income	63,659	50,549
Deduct: expenses not requiring an outlay of funds (Note 5)	47,960	46,295
Current year deficit	(15,699)	(4,254)
Surplus carried over, beginning of the year	5,848	10,102
Surplus (deficit), end of the year	(9,851)	5,848

The accompanying notes and schedule A are an integral part of the financial statements.

SCHEDULE OF NATIONAL BROADCASTING SERVICE
PROGRAM AND DISTRIBUTION COSTS
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars) SCHEDULE A

	1985	1984
Programs		
English language		
Radio		
Network	47,367	42,614
Regional	53,370	48,761
Television		
Network	217,813	198,066
Regional	134,379	122,279
French language		
Radio		
Network	38,403	34,730
Regional	22,229	21,452
Television		
Network	166,231	138,216
Regional	45,000	45,199
	724,792	651,317
Distribution		
Radio		
Network distribution	15,732	14,460
Station transmission	23,920	21,597
Television		
Network distribution	53,743	50,161
Station transmission	35,394	31,118
Reimbursement—Network advertising—Affiliates' share	16,010	14,950
	144,799	132,286
Operational management and services		
Programs and distribution		
Radio	22,824	22,649
Television	69,942	70,743
	92,766	93,392
	962,357	876,995

STATEMENT OF PROPRIETOR'S EQUITY ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Balance, beginning of the year	380,505	353,229
Add (Deduct): parliamentary appropriations—Capital (Note 5)	91,519	66,791
parliamentary appropriations — Working capital (Note 5)	4,700	12,020
loss on disposal of fixed assets	(530)	(986)
current year deficit	(15,699)	(4,254)
expenses not requiring an outlay of funds (Note 5)	(47,960)	(46,295)
Balance, end of the year	412,535	380,505

The accompanying notes and schedule A are an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1985
(in thousands of dollars)

	1985	1984
Funds provided		
Parliamentary appropriations		
Operating	799,458	736,442
Capital	91,777	66,885
Working capital	4,700	12,020
Papal visit	8,992	
	904,927	815,347
Advertising income	212,287	179,111
Miscellaneous income	16,176	13,314
Investments	744	
Disposal of fixed assets	3,059	3,413
	1,137,193	1,011,185
Funds applied		
Operating expense	1,100,572	979,416
Deduct: items not requiring an outlay of funds		
depreciation and amortization	43,672	39,715
provision for employee termination benefits	1,472	5,997
	1,055,428	933,704
Additions to fixed assets	94,578	70,302
Investments		59
Unexpended capital vote refundable	258	94
	1,150,264	1,004,159
Increase (decrease) in working capital	(13,071)	7,026
Working capital, beginning of the year	25,420	18,394
Working capital, end of the year	12,349	25,420

The accompanying notes and schedule A are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. Authority and objective

The Canadian Broadcasting Corporation was established by the 1936, 1958 and 1968 Broadcasting Acts. The Corporation is an agent of Her Majesty and all property acquired by the Corporation is the property of Her Majesty.

The objective of the Corporation is to develop and provide a national broadcasting service for all Canadians in both official languages, in television and radio, and to provide an international service. Both services should be primarily Canadian in content and character.

2. Significant accounting policies

The financial statements of the Corporation have been prepared by management in accordance with generally accepted accounting principles consistently applied. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

(a) Engineering and production supplies

The inventory of engineering and production supplies is stated at the lower of average cost and replacement cost.

(b) Programs completed and in process of production

The inventory of programs completed and in process of production is stated at cost. Cost includes the cost of goods and services, direct labour and the share of overhead expenses applicable to each program. The total program cost is charged to operations upon broadcast or when programs are determined unusable.

(c) Film rights

The Corporation enters into contracts for film broadcasting rights. As payments are made under the terms of each contract they are reflected in the accounts as prepaid film rights. The film rights are charged to operations as the films are broadcast or determined unusable.

(d) Investments

The investment in a joint venture is accounted for by the equity method with the Corporation's share of profit or loss credited or charged to operations. Other investments are carried at cost.

(e) Fixed assets

Fixed assets are recorded at cost. Cost includes material, engineering services, direct labour and related overhead. Depreciation is calculated on the straight-line method based on the estimated useful life of the assets, as follows:

Buildings	33 years
Technical equipment	
Transmitters and towers	20 years
Other	10 years
Furnishings and office equipment	10 years
Automotive	5 years

Major leasehold improvements are capitalized and amortized over the term of the lease to a maximum period of five years. Amounts included in uncompleted capital projects are transferred to the appropriate fixed asset classification upon completion, and are then depreciated according to the Corporation's policy. Gains and losses on disposals of fixed assets are credited or charged to the Proprietor's Equity Account.

(f) Capital leases

The assets and related obligations for capital leases are recorded at an amount equal to the present value of future lease payments. Assets recorded under capital leases are amortized on the straight-line method over the estimated useful life of the assets or based on the lease term as appropriate. Obligations under capital leases are reduced by rental payments net of imputed interest.

(g) Employee termination benefits and vacation pay

Employee termination benefits and vacation pay are expensed as benefits accrue to employees under their respective terms of employment.

(h) Pension plan

The cost of funding current service pension benefits is charged to operations as incurred. Unfunded liabilities as determined by actuarial valuation are funded by payments which are charged to operations over periods recommended by the actuaries and in accordance with regulatory requirements. Additional payments are charged to operations as made.

(i) Parliamentary appropriations

Parliamentary appropriations for operating expenditures are recorded as income. Net parliamentary appropriations for capital and working capital are credited to the Proprietor's Equity Account.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Continued*

3. Investments

	1985	1984
	(in thousands of dollars)	
"Hockey Night in Canada"—Joint venture, at equity	5,376	5,980
Télévision St. François Inc.—Preferred shares, at cost	210	350
Master FM Limited—Common shares, at cost	2	2
	5,588	6,332

4. Fixed assets

	1985			1984
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
	(in thousands of dollars)			
Land	35,082		35,082	37,783
Buildings	228,358	87,926	140,432	138,050
Technical equipment	521,349	255,139	266,210	245,363
Furnishings and office equipment	21,375	7,964	13,411	11,581
Automotive	10,354	7,396	2,958	2,611
Leasehold improvements	5,786	1,770	4,016	3,859
Property under capital leases	798	232	566	729
Uncompleted capital projects	54,287		54,287	29,770
	877,389	360,427	516,962	469,746

5. Parliamentary appropriations

	Papal Visit	Operating	Capital	Working Capital	Total
	(in thousands of dollars)				
Payments to the Corporation in providing a broadcasting service	8,992	799,458	91,777	4,700	904,927
Refundable to Government of Canada			258		258
Proceeds retained —1985	8,992	799,458	91,519	4,700	904,669
—1984		736,442	66,791	12,020	815,253

The following expenses do not require an outlay of funds:

	1985	1984
	(in thousands of dollars)	
Depreciation and amortization	43,672	39,715
Provision for employee termination benefits and vacation pay	4,288	6,580
	47,960	46,295

6. Advances from Government of Canada

Advances from the Government of Canada are made for working capital purposes and are free of interest. These advances become repayable when cash and treasury bills exceed the Corporation's requirements for working capital.

7. Lease obligations

As at March 31, 1985, the Corporation's obligations related to significant capital and operating leases for terms in excess of one year are as follows:

	Capital Leases	Operating Leases
	(in thousands of dollars)	
1986	210	35,379
1987	183	34,645
1988	151	29,118
1989	85	25,540
1990	8	14,929
1991-2061		9,753
Total future payments	637	149,364
Deduct: amount representing interest	133	
Long-term obligations under capital leases	504	

8. Commitments

As at March 31, 1985, commitments for film rights amounted to $27.0 million (1984—$37.5 million).

9. Pension plan

The Corporation's pension plan covers substantially all continuing employees. The charge to operations for the cost of the plan for the year ended March 31, 1985 was $38.2 million (1984—$36.4 million). As at March 31, 1985, the present value of the estimated unfunded liabilities was $112.3 million based on the actuarial valuation at December 31, 1983.

In accordance with the regulations of the Pension Benefits Standards Act, the Corporation is liquidating the unfunded liability over a period ending December 31, 2006.

10. Contingencies

In the ordinary course of business, various claims and lawsuits have been brought against the Corporation. In the opinion of management, the losses, if any, which may result from the settlement of these matters are not likely to be material and accordingly no provision has been made in the accounts of the Corporation.

11. Income tax

The Corporation is a prescribed Federal Crown corporation under Part LXXI of the Income Tax Regulations and is subject to the provisions of the Federal Income Tax Act. However, the Corporation has incurred losses in the current year and in prior years, which are carried forward and can be applied against possible taxable income in future years.

As at March 31, 1985, the loss carry-forward for income tax purposes is $31.2 million, which, if unused, would expire as follows:

	(in thousands of dollars)
March 31	
1987	6,674
1990	1,267
1991	4,837
1992	18,415
	31,193

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

12. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations and is mainly financed by Parliament of Canada. Transactions with Canada are outlined in Notes 5, 6 and 14.

During the year, transactions with these related departments, agencies and Crown corporations were normal business transactions on normal trade terms applicable to all individuals and enterprises.

The sale of the Corporation's parcel of land in Winnipeg to the National Research Council for $2.7 million is outlined in Note 14.

13. Employee downsizing lay-off costs

As a result of a reduction in its 1985/86 Parliamentary appropriations, the Corporation implemented an employee downsizing program wherein lay-off costs amounting to $22.0 million were incurred and accounted to the 1984/85 fiscal year.

14. Sale of land, Winnipeg, Manitoba

The Corporation as authorized by Order in Council P.C. 1984-8/2564 sold a 2.11 hectare of land in the city of Winnipeg, Manitoba, to the National Research Council for $2.7 million. This amount in line with the terms of the Order-in-Council, was retained by the Corporation.

15. Corporate Management and Services

Corporate management and services expense of $55,070,000 includes an amount of approximately $15.0 million representing special expense items of: additional hardware, systems development and support services, new financial systems, consolidation of corporate training programs, and employee/talent relations, a new Employee Assistance Program, special Communications projects, a share of downsizing lay-off costs, special audience research surveys, plus an increased accrual for employee leave and termination provision. The $3.3 million remainder of the $18.3 million increase is accounted for by inflationary increases plus miscellaneous items.

CANADIAN FILM DEVELOPMENT CORPORATION

AUDITOR'S REPORT

THE HONOURABLE MARCEL MASSE, P.C., M.P.
MINISTER OF COMMUNICATIONS

I have examined the balance sheet of the Canadian Film Development Corporation as at March 31, 1985 and the statements of operations, equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canadian Film Development Corporation Act and the by-laws of the Corporation.

RAYMOND DUBOIS, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 5, 1985

BALANCE SHEET AS AT MARCH 31, 1985

ASSETS	1985	1984
	$	$
Current		
Loans to producers		
Feature films	3,205,805	2,382,201
Canadian programming	1,606,284	1,918,578
Parliamentary appropriation receivable (Note 3)	6,329,318	2,952,028
Accounts receivable	361,319	271,455
Prepaid expenses	109,667	38,698
	11,612,393	7,562,960
Fixed assets (Note 4)		
Furniture, equipment, automobile and leasehold improvements	857,777	521,072
Less: accumulated depreciation	286,594	159,578
	571,183	361,494
	12,183,576	7,924,454

LIABILITIES	1985	1984
	$	$
Current		
Accounts payable	3,771,564	1,080,524
Due to Canada (Note 5)		4,000,000
Current portion of obligation under capital leases		54,251
	3,771,564	5,134,775
Provision for employee termination benefits	202,000	90,030
	3,973,564	5,224,805
EQUITY OF CANADA		
Equity of Canada	8,210,012	2,699,649
	12,183,576	7,924,454

Approved by the Board:

EDOUARD PRÉVOST
President

Approved by Management:

ANDRÉ LAMY
Executive Director

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1985

	1985			1984
	Canadian programming	Feature films	Total	Total
	$	$	$	$
Assistance expenses (Note 6)				
English production	25,539,836	1,854,462	27,394,298	6,310,039
French production	10,927,351	2,122,054	13,049,405	5,202,671
Marketing and distribution		2,999,291	2,999,291	478,480
Development of the industry		1,771,825	1,771,825	322,108
	36,467,187	8,747,632	45,214,819	12,313,298
Revenues				
Interest on loans to producers	271,412	398,886	670,298	283,079
Management fees	1,067,587	181,101	1,248,688	301,644
	1,338,999	579,987	1,918,986	584,723
Cost of operations before administration expenses	35,128,188	8,167,645	43,295,833	11,728,575
Administration expenses (Note 7)			1,759,093	910,857
Cost of operations for the year			45,054,926	12,639,432

STATEMENT OF EQUITY OF CANADA FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Balance at beginning of the year	2,699,649	381,988
Parliamentary appropriation	46,565,289	14,957,093
Transfer of an amount due to Canada (Note 5)	4,000,000	
	53,264,938	15,339,081
Cost of operations for the year	45,054,926	12,639,432
Balance at end of the year	8,210,012	2,699,649

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Source of funds		
Parliamentary appropriation	46,565,289	14,957,093
Waiver of the obligation to reimburse an amount due to Canada	4,000,000	
	50,565,289	14,957,093
Application of funds		
Operations		
Cost of operations for the year	45,054,926	12,639,432
Items not requiring an outlay of funds		
Depreciation	(134,348)	(94,944)
Increase in the provision for employee termination benefits	(111,970)	(39,333)
	44,808,608	12,505,155
Net acquisition of fixed assets	344,037	338,204
Decrease in the long-term obligation under capital leases		48,018
	45,152,645	12,891,377
Increase in working capital	5,412,644	2,065,716
Working capital at beginning of the year	2,428,185	362,469
Working capital at end of the year	7,840,829	2,428,185

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1985

1. Authority and activities

The Corporation was established in 1967 by the Canadian Film Development Corporation Act with the objective of fostering and promoting the development of a feature film industry in Canada. The Corporation has since been charged with the administration of the Canadian Broadcast Program Development Fund, established on July 1, 1983, within the framework of the Broadcasting Strategy for Canada as well as with the management of various new programs established under the National Film and Video Policy of May 1984.

The Corporation is a Crown corporation subject to the provisions of part VIII of the Financial Administration Act as it read before its repeal and as if it continued to be named in Schedule C of the Act.

2. Significant accounting policies

(a) Loans to producers

Loans advanced to producers of feature films and Canadian programming are shown on the balance sheet at their face value, less an allowance for losses.

(b) Investments

Funds advanced to producers of feature films and Canadian programming, in return for a share in the proceeds from such productions, are expensed as assistance to productions in the year in which the advances are made.

All proceeds, up to the amount of the related investment, are credited to expenses as a reduction of production assistance expenses made during the year. Any amount in excess thereof is accounted for as revenues.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Continued*

(c) Fixed assets

Fixed assets are recorded at cost.

Depreciation is provided for using the diminishing-balance method, at the annual rates of 20% for furniture and equipment and 30% for the automobile. Leasehold improvements are amortized using the straight-line method, based on the duration of the leases.

(d) Parliamentary appropriation

The parliamentary appropriation voted to the Corporation for its objectives comprises a non lapsing amount for the development of a feature film industry and another lapsing amount for the production of Canadian programming. The unlapsed parliamentary appropriation is credited to the Equity of Canada. Admissible unlapsed amounts not used at the end of the year are presented on the balance sheet as a parliamentary appropriation receivable.

(e) Employee termination benefits

On termination of employment, employees of the Corporation are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(f) Pension plan

All employees of the Corporation participate in the superannuation plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. This contribution represents the total liability of the Corporation. Contributions in respect of current service and admissible past service are expensed during the year in which payments are made. The terms of payment for past service are set by the applicable purchase conditions in effect, generally over the number of years of service remaining prior to retirement.

3. Parliamentary appropriation receivable

	1985	1984
	$	$
Interim financing to producers and distributors of feature films	794,195	1,617,799
Development of the feature film industry	3,260,028	1,187,929
Canadian programming production	2,275,095	146,300
	6,329,318	2,952,028

4. Fixed assets

	1985			1984
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Furniture and equipment	717,867	264,326	453,541	237,562
Automobile	18,844	5,653	13,191	9,139
Equipment held under capital leases				59,729
Leasehold improvements	121,066	16,615	104,451	55,064
	857,777	286,594	571,183	361,494

5. Due to Canada

On May 29, 1984, the Government waived the Corporation's obligation to reimburse a parliamentary appropriation of $4,000,000 voted to the Corporation in 1982 for interim financing advanced to producers and distributors of feature films. This amount has thus been transferred during the year to the Equity of Canada.

6. Assistance expenses

	1985			1984
	Canadian programming	Feature films	Total	Total
	$	$	$	$
Investments	36,083,096	7,276,018	43,359,114	10,851,974
Proceeds from investments	(910,383)	(1,104,211)	(2,014,594)	(218,631)
Loans written-off		70,636	70,636	319,712
Reimbursements of loans previously written-off		(478,776)	(478,776)	(338,848)
	35,172,713	5,763,667	40,936,380	10,614,207
Operating expenses	1,294,474	2,983,965	4,278,439	1,699,091
	36,467,187	8,747,632	45,214,819	12,313,298

7. Operating expenses

	1985	1984
	$	$
Salaries and employee benefits	2,997,573	1,358,463
Rent, taxes, heating and electricity	683,495	266,118
Printing, postage and office expenses	476,784	218,953
Consultants' fees	374,500	194,887
Professional services	353,299	154,782
Travel	326,171	143,485
Advertising and hospitality	280,434	82,791
Telephone and telex	149,390	83,367
Depreciation	134,348	94,944
Shipment of films to festivals	116,814	
Films and subtitling of films	83,461	
Relocation expenses	50,872	
Financing costs	10,391	12,158
	6,037,532	2,609,948
Portion applicable to assistance expenses (Note 6)	4,278,439	1,699,091
Portion applicable to administration expenses	1,759,093	910,857

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985—*Concluded*

8. Commitments

As at March 31, 1985, the Corporation is contractually committed to advance funds totalling $10,124,954 as loans and investments, of which $1,356,287 are for French productions and $8,768,667 are for English productions. Further, it has accepted financing projects that may call for disbursements of approximately $21 million of which $2.8 million are for French productions and $18.2 million are for English productions.

The Corporation has entered into long-term leases for the rental of office space and equipment used in its operations. The aggregate minimum annual rentals payable during subsequent years are as follows:

	$
1986	601,041
1987	536,842
1988	526,547
1989	417,687
1990	302,201
1991-1995	965,901
	3,350,219

9. Contingencies

As at March 31, 1985, legal proceedings have been instituted against the Corporation for an amount of $370,000 for an alleged breach of contract. The case has not yet been heard. Based on the advice of legal counsel, management is of the opinion that the loss, if any, which may result from the settlement of this case will not likely be material and, accordingly, no provision has been made in the accounts.

THE CANADIAN WHEAT BOARD

AUDITORS' REPORT

TO THE CANADIAN WHEAT BOARD

We have examined the balance sheet of The Canadian Wheat Board as at July 31, 1984, and the statements of operations for the 1983-84 pool accounts for wheat, amber durum wheat, oats, designated oats, barley and designated barley for the period August 1, 1983 to completion of operations on October 31, 1984, the statement of administrative and general expenses and allocations to operations for the year ended July 31, 1984, the statement of advance payments to producers under the Prairie Grain Advance Payments Act as at July 31, 1984, and the statement of special account transactions for the year ended July 31, 1984. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Board as at July 31, 1984 and the results of operations for the periods shown, in accordance with generally accepted accounting principles consistently applied.

DELOITTE, HASKINS & SELLS
Auditors

Winnipeg, Canada
March 13, 1985

BALANCE SHEET AS AT JULY 31, 1984
(with prior year figures for comparison)

EXHIBIT I

ASSETS	1984 $	1983 $
Stocks of grain		
—Wheat	1,349,117,354	1,295,013,740
—Durum	122,731,578	201,247,589
—Oats	2,182,760	13,055,599
—Designated Oats	93,890	333,330
—Barley	52,713,112	144,198,070
—Designated Barley	7,686,258	18,578,199
	1,534,524,952	1,672,426,527
Bills of exchange plus accrued interest (Note 2)	3,202,275,567	2,373,094,258
Accounts receivable (Note 3)		
Due from Board Agents on completed sales	166,927,017	105,871,073
Sundry	30,883,405	33,628,844
Prairie Grain Advance Payments Act	7,682,214	18,268,555
Due from the Government of Canada re deficit on Pool Account operations 1982-83 Pool Account—Barley		5,544,235
The Canadian Wheat Board Building, Winnipeg, at cost less depreciation	2,162,188	2,272,326
Covered hopper cars, at cost less depreciation (Note 4)	76,161,228	79,507,901
Office furniture, equipment and automobiles, at cost less depreciation	1,004,198	956,898
Deferred and prepaid expenses	8,229,251	5,249,955
	5,029,850,020	4,296,820,572

LIABILITIES	1984 $	1983 $
Liability to Banks (Note 5)	3,162,952,155	2,432,671,670
Debentures payable (Note 6)	65,475,000	61,655,000
Liability to agents for grain purchased from producers (Note 7)	826,390,827	1,098,454,073
Liability to agents for deferred cash tickets (Note 8)	203,160,168	222,888,349
Accrued expenses and accounts payable (Note 9)	86,151,364	66,229,446
Outstanding adjustment and final payment cheques to producers		
—Wheat	570,324	487,741
—Durum	49,257	37,386
—Oats	14,274	615
—Designated Oats	391	2,381
—Barley	34,799	81,136
—Designated Barley	12,319	29,368
Special Account—Net balance of undistributed payment accounts (Note 10)	5,778,515	6,858,057
Provision for final payment expenses (Note 11)	7,196,788	6,641,070
Surpluses resulting from operations		
Pool Account		
—Wheat	478,602,282	359,240,183
—Durum	50,593,695	31,152,957
—Oats	385,062	1,640,765
—Designated Oats	591,895	259,767
—Barley	110,509,643	
—Designated Barley	31,381,262	8,490,608
	5,029,850,020	4,296,820,572

W. E. JARVIS
Chief Commissioner

R. L. KRISTJANSON
Assistant Chief Commissioner

J. L. LEIBFRIED
Commissioner

F. M. HETLAND
Commissioner

W. H. SMITH
Commissioner

1983-84 POOL ACCOUNT—WHEAT STATEMENT OF OPERATIONS
FOR THE PERIOD AUGUST 1, 1983, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1984
(with prior year figures for the 1982-83 Pool Account for comparison)

EXHIBIT II

	1983-84		1982-83	
	Tonnes	Amount	Tonnes	Amount
		$		$
Wheat acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	20,186,978	3,352,896,639	22,231,894	3,711,880,032
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	85,330	14,532,873	85,591	14,665,163
Purchased from prior year Pool Account—Wheat	844,767	153,715,767	268,018	43,661,082
	21,117,075	3,521,145,279	22,585,503	3,770,206,277
Wheat sold				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill				
Domestic	1,210,094		1,376,632	
Export	12,974,962		14,126,166	
Weight losses in transit and in drying	10,160		(377)	
	14,195,216	2,795,055,087	15,502,421	2,973,110,683
Wheat stocks—Being Wheat stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill				
Completed sales for the period subsequent to July 31				
Domestic	403,268		398,506	
Export	6,036,131		5,839,809	
Sale to the subsequent Pool Account—Wheat	482,460		844,767	
	6,921,859	1,349,117,354	7,083,082	1,295,013,740
	21,117,075	4,144,172,441	22,585,503	4,268,124,423
Surplus on Wheat transactions		623,027,162		497,918,146
Operating costs				
Carrying charges				
Carrying charges on Wheat stored in country elevators		89,905,467		95,374,468
Storage on Wheat stored in terminal elevators		18,909,270		19,301,107
		108,814,737		114,675,575
Interest, bank charges and net interest on other Board accounts		(3,463,630)		(18,084,165)
Demurrage		(435,169)		9,094,749
Additional freight—Wheat shipped from country stations to terminal position		2,422,929		3,580,308
—Freight rate changes		8,246,530		
Handling and stop-off on Wheat warehoused at interior terminals		(49,462)		(38,566)
Drying charges		1,713,617		788,818
Rental of hopper cars				1,749,597
Interest and depreciation on Wheat Board hopper cars		9,424,620		9,876,572
Wheat Board administrative and general expenses		17,750,708		17,035,075
		144,424,880		138,677,963
Surplus on operations of the Board on the Pool Account—Wheat, for the period from August 1, 1983, to October 31, 1984		478,602,282		359,240,183

1983-84 POOL ACCOUNT—AMBER DURUM WHEAT STATEMENT OF OPERATIONS
FOR THE PERIOD AUGUST 1, 1983, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1984
(with prior year figures for the 1982-83 Pool Account for comparison)

EXHIBIT III

	1983-84		1982-83	
	Tonnes	Amount	Tonnes	Amount
		$		$
Durum acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	2,278,079	406,403,268	2,885,156	495,730,824
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	8,408	1,496,395	8,894	1,523,289
Purchased from prior year Pool Account—Durum	463,843	90,544,238	133,446	23,662,942
	2,750,330	498,443,901	3,027,496	520,917,055
Durum sold				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill				
Domestic	86,034		81,576	
Export	2,061,514		1,912,646	
Weight losses in transit and in drying	2,749		12,149	
	2,150,297	444,897,812	2,006,371	372,603,991
Durum stocks—Being Durum stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill				
Completed sales for the period subsequent to July 31				
Domestic	28,876		28,728	
Export	571,157		528,554	
Sale to the subsequent Pool Account—Durum			463,843	
	600,033	122,731,578	1,021,125	201,247,589
	2,750,330	567,629,390	3,027,496	573,851,580
Surplus on Amber Durum Wheat transactions		69,185,489		52,934,525
Operating costs				
Carrying charges				
Carrying charges on Durum stored in country elevators		10,884,477		12,517,284
Storage on Durum stored in terminal elevators		2,442,679		3,619,402
		13,327,156		16,136,686
Interest and bank charges		(274,924)		1,261,723
Demurrage		1,495,075		520,557
Additional freight—Durum shipped from country stations to terminal position		269,658		117,958
—Freight rate changes		701,687		
Handling and stop-off on Durum warehoused at interior terminals		3,642		882
Drying charges		2,793		24,232
Rental of hopper cars				227,053
Interest and depreciation on Wheat Board hopper cars		1,063,558		1,281,737
Wheat Board administrative and general expenses		2,003,149		2,210,740
		18,591,794		21,781,568
Surplus on operations of the Board on the Pool Account—Durum, for the period from August 1, 1983, to October 31, 1984		50,593,695		31,152,957

1983-84 POOL ACCOUNT—OATS STATEMENT OF OPERATIONS
FOR THE PERIOD AUGUST 1, 1983, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1984
(with prior year figures for 1982-83 Pool Account for comparison)

EXHIBIT IV

	1983-84		1982-83	
	Tonnes	Amount	Tonnes	Amount
		$		$
Oats acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	55,389	5,496,654	170,900	15,287,956
Purchased from prior year Pool Account—Oats	43,173	4,959,168	32,024	3,426,701
	98,562	10,455,822	202,924	18,714,657
Oats sold				
Completed sales to July 31 basis in store Thunder Bay or Vancouver	78,012	9,515,302	87,151	9,523,661
Weight losses in transit and in drying			13	
Oats stocks—Being Oats stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay or Vancouver				
Completed sales for period subsequent to July 31	4,181	396,859	72,587	8,096,431
Sale to subsequent Pool Account—Oats	16,369	1,785,902	43,173	4,959,168
	98,562	11,698,063	202,924	22,579,260
Surplus on Oats transactions		1,242,241		3,864,603
Operating costs				
Carrying charges				
Carrying charges on Oats stored in country elevators		374,439		1,106,878
Storage on Oats stored in terminal elevators		181,254		460,565
		555,693		1,567,443
Interest and bank charges		20,530		225,162
Additional freight —Oats shipped from country stations to terminal position		177,403		210,909
—Freight rate changes		28,989		
Drying charges				
Rental of hopper cars				13,449
Interest and depreciation on Wheat Board hopper cars		25,859		75,923
Wheat Board administrative and general expenses		48,705		130,952
		857,179		2,223,838
Surplus (Deficit) on operations of the Board on the Pool Account—Oats, for the period from August 1, 1983, to October 31, 1984		385,062		1,640,765

1983-84 POOL ACCOUNT—DESIGNATED OATS STATEMENT OF OPERATIONS
FOR THE PERIOD AUGUST 1, 1983, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1984
(with prior year figures for the 1982-83 Pool Account for comparison)

EXHIBIT V

	1983-84		1982-83	
	Tonnes	Amount	Tonnes	Amount
		$		$
Designated Oats acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	40,023	5,498,760	30,792	4,225,541
Designated Oats sold				
Completed sales to July 31 basis in store Thunder Bay or Vancouver	39,429	5,973,437	28,425	4,139,445
Designated Oats stocks — Being Designated Oats stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay or Vancouver				
Completed sales for the period subsequent to July 31	594	93,890	2,367	333,330
	40,023	6,067,327	30,792	4,472,775
Surplus on Designated Oats transactions		568,567		247,234
Operating costs				
Interest		(77,206)		(52,229)
Rental of hopper cars				2,423
Interest and depreciation on Canadian Wheat Board hopper cars		18,685		13,679
Wheat Board administrative and general expenses		35,193		23,594
		(23,328)		(12,533)
Surplus on operations of the Board on the Pool Account — Designated Oats, for the period from August 1, 1983, to October 31, 1984		591,895		259,767

1983-84 POOL ACCOUNT—BARLEY STATEMENT OF OPERATIONS
FOR THE PERIOD AUGUST 1, 1983, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1984
(with prior year figures for the 1982-83 Pool Account for comparison)

EXHIBIT VI

	1983-84		1982-83	
	Tonnes	Amount	Tonnes	Amount
		$		$
Barley acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	4,007,756	438,761,246	4,574,888	500,382,278
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	23,728	2,602,169	21,280	2,349,085
Purchased from prior year Pool Account—Barley			392,351	45,855,958
	4,031,484	441,363,415	4,988,519	548,587,321
Barley sold				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill	3,673,279	507,159,484	3,718,622	421,410,551
Weight losses in transit and in drying	2,034		2,581	
Barley stocks—Being Barley stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill				
Completed sales for the period subsequent to July 31	356,171	52,713,112	1,267,316	144,198,070
	4,031,484	559,872,596	4,988,519	565,608,621
Surplus on Barley transactions		118,509,181		17,021,300
Operating costs				
Carrying charges				
Carrying charges on Barley stored in country elevators		4,683,339		11,634,461
Storage on Barley stored in terminal elevators		2,246,162		2,827,574
		6,929,501		14,462,035
Interest and bank charges		(7,543,393)		(265,115)
Demurrage		1,941,439		1,031,954
Additional freight—Barley shipped from country stations to terminal position		902,833		1,266,470
—Freight rate changes		207,308		
Handling and stop-off on Barley warehoused at interior terminals		(108,820)		(33,710)
Drying charges		275,505		205,978
Rental of hopper cars				360,030
Interest and depreciation on Wheat Board hopper cars		1,871,085		2,032,403
Wheat Board administrative and general expenses		3,524,080		3,505,490
		7,999,538		22,565,535
Surplus (Deficit) on operations of the Board on the Pool Account—Barley, for the period from August 1, 1983, to October 31, 1984		110,509,643		(5,544,235)

1983-84 POOL ACCOUNT—DESIGNATED BARLEY STATEMENT OF OPERATIONS
FOR THE PERIOD AUGUST 1, 1983, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1984
(with prior year figures for the 1982-83 Pool Account for comparison)

EXHIBIT VII

	1983-84		1982-83	
	Tonnes	Amount	Tonnes	Amount
		$		$
Designated Barley acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	1,004,377	139,939,761	1,029,868	161,381,046
Designated Barley sold				
Completed sales to July 31 basis in store Thunder Bay or Vancouver	959,264	161,150,487	916,292	150,557,193
Designated Barley stocks—Being Designated Barley stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay or Vancouver				
Completed sales for the period subsequent to July 31	45,113	7,686,257	113,576	18,578,199
	1,004,377	168,836,744	1,029,868	169,135,392
Surplus on Designated Barley transactions		28,896,983		7,754,346
Operating costs				
Interest		(3,836,353)		(2,063,962)
Rental of hopper cars				81,047
Interest and depreciation on Canadian Wheat Board hopper cars		468,910		457,521
Wheat Board administrative and general expenses		883,164		789,132
		(2,484,279)		(736,262)
Surplus on operations of the Board on the Pool Account—Designated Barley, for the period from August 1, 1983, to October 31, 1984		31,381,262		8,490,608

STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES AND ALLOCATIONS TO OPERATIONS FOR THE YEAR ENDED JULY 31, 1984
(with prior year figures for comparison)

EXHIBIT VIII

	1983-84	1982-83
	$	$
Administrative and General Expenses		
Salaries—Board members, officers and staff	14,686,316	14,247,061
Unemployment insurance, pension, group insurance, medical and other employee benefits	1,735,497	1,604,101
Manitoba Health and Education Tax	212,116	55,292
Advisory Committee—Travelling expenses and per diem allowances	76,758	177,816
Rental and lighting of offices including maintenance of The Canadian Wheat Board Building	1,475,438	1,363,598
Telephones—Exchange service and long distance calls	368,022	301,358
Telegrams, cables and telex expense	160,557	154,419
Postage	666,414	635,741
Printing, stationery and supplies	642,284	468,038
Annual report, mini report and "Grain Matters", etc.	152,638	140,321
District meetings	16,588	16,666
Office expense	692,626	634,247
Travelling and transfer of staff	760,513	757,273
Travelling expenses—Inspectors	217,726	157,341
Legal fees and court costs	28,791	49,760
Audit fees	91,000	80,000
Computing equipment—Rental and sundries	1,725,593	2,268,613
Repair and upkeep of office machines and equipment	67,923	48,663
Grain market publications and services	75,726	85,335
The Canadian Wheat Board share of operating expenses of Canadian International Grains Institute	822,506	843,166
Bonds and insurance	27,792	25,839
Winnipeg Commodity Exchange dues	12,670	12,670
Depreciation on building, furniture, equipment and automobiles	352,402	289,250
	25,067,896	24,416,568

	1983-84	1983-84	1982-83
	$	$	$
Allocations to Operations			
1. Marketing of Producers' Grain			
1983-84 Pool Account—Wheat	9,527,401		
1983-84 Pool Account—Durum	1,075,158		
1983-84 Pool Account—Oats	26,141		
1983-84 Pool Account—Designated Oats	18,889		
1983-84 Pool Account—Barley	1,891,493		
1983-84 Pool Account—Designated Barley	474,024		
1982-83 Pool Account—Wheat	7,689,329		
1982-83 Pool Account—Durum	997,889		
1982-83 Pool Account—Oats	59,109		
1982-83 Pool Account—Designated Oats	10,650		
1982-83 Pool Account—Barley	1,582,316		
1982-83 Pool Account—Designated Barley	356,200		
		23,708,599	22,884,213
2. Distributing Final Payments to Producers			
(a) Wheat and Durum			
1982-83 Pool Account—Wheat	181,613		
1982-83 Pool Account—Durum	30,252		
1981-82 Pool Account—Wheat	32,244		
1981-82 Pool Account—Durum	5,527		
1980-81 Pool Account—Wheat	10,111		
1980-81 Pool Account—Durum	1,379		
1979-80 Pool Account—Wheat	3,727		
1979-80 Pool Account—Durum	509		
1978-79 Pool Account—Wheat	4,963		
1978-79 Pool Account—Durum	675		
1977-78 Pool Account—Wheat	3,765		
		274,765	337,419
(b) Coarse Grains			
1982-83 Pool Account—Oats	15,588		
1982-83 Pool Account—Designated Oats	1,044		
1982-83 Pool Account—Designated Barley	24,773		
1981-82 Pool Account—Designated Oats	2,563		
1981-82 Pool Account—Barley	18,192		
1981-82 Pool Account—Designated Barley	2,825		
1980-81 Pool Account—Oats	1,184		
1980-81 Pool Account—Barley	4,255		
1980-81 Pool Account—Designated Barley	751		
1979-80 Pool Account—Barley	3,294		
1979-80 Pool Account—Designated Barley	580		
1978-79 Pool Account—Oats	2,225		
1978-79 Pool Account—Barley	3,223		
1978-79 Pool Account—Designated Barley	570		
1977-78 Pool Account—Barley	2,947		
1977-78 Pool Account—Designated Barley	518		
		84,532	194,936
3. Allocation authorized by Order-in-Council from Special Account—Undistributed Payment Accounts in partial payment of Administrative and General Expense incurred in respect of the Prairie Grain Advance Payments Act		1,000,000	1,000,000
		25,067,896	24,416,568

STATEMENT OF ADVANCE PAYMENTS TO PRODUCERS
UNDER THE PRAIRIE GRAIN ADVANCE PAYMENTS ACT
AS AT JULY 31, 1984

EXHIBIT IX

	Cash Advances to Producers	Advances Repaid by Producers	Balance to be Refunded by Producers
	$	$	$
1957-58 Crop Year	35,203,467	35,200,848	2,619
1958-59 Crop Year	34,369,653	34,366,768	2,885
1959-60 Crop Year	38,492,505	38,490,056	2,449
1960-61 Crop Year	63,912,550	63,904,499	8,051
1961-62 Crop Year	16,656,713	16,651,008	5,705
1962-63 Crop Year	29,251,526	29,245,974	5,552
1963-64 Crop Year	62,136,418	62,129,676	6,742
1964-65 Crop Year	32,961,844	32,955,723	6,121
1965-66 Crop Year	40,600,386	40,596,508	3,878
1966-67 Crop Year	36,668,270	36,664,915	3,355
1967-68 Crop Year	47,280,533	47,277,264	3,269
1968-69 Crop Year	151,852,319	151,770,634	81,685
1969-70 Crop Year	272,777,516	272,473,427	304,089
1970-71 Crop Year	91,105,890	91,076,240	29,650
1971-72 Crop Year	68,142,360	68,104,534	37,826
1972-73 Crop Year	20,754,104	20,743,090	11,014
1973-74 Crop Year	35,259,387	35,219,656	39,731
1974-75 Crop Year	46,635,399	46,589,871	45,528
1975-76 Crop Year	20,236,528	20,207,943	28,585
1976-77 Crop Year	130,592,220	130,465,864	126,356
1977-78 Crop Year	119,090,916	118,894,716	196,200
1978-79 Crop Year	151,316,450	151,179,603	136,847
1979-80 Crop Year	99,146,581	99,047,547	99,034
1980-81 Crop Year	61,640,150	61,583,361	56,789
1981-82 Crop Year	333,688,190	332,967,794	720,396
1982-83 Crop Year	309,022,755	306,786,235	2,236,520
1983-84 Crop Year	286,736,519	273,889,385	12,847,134
	2,635,531,149	2,618,483,139	

Balance to be refunded by Producers as at July 31, 1984		17,048,010
Add: bank interest to July 31, 1984, payable by the Government of Canada	99,514,152	
Less: amount paid to July 31, 1984	99,050,442	463,710
		17,511,720
Deduct: balance of funds received to cover advance payments in default		
Government of Canada	1,101,703	
Line Elevator Companies	72,834	
Interest received on default payments	8,654,969	9,829,506
Owing to the Canadian Wheat Board as at July 31, 1984		7,682,214

STATEMENT OF SPECIAL ACCOUNT TRANSACTIONS FOR THE YEAR ENDED JULY 31, 1984

EXHIBIT X

	$	$
Balance of Special Account as at July 31, 1983		6,858,057
Transfer to Special Account authorized by Order-in-Council P.C. 1984-2688 from the following		
1976 Wheat Payment and Adjustment Payment Account	383,951	
1976 Oats Payment and Adjustment Payment Account	39,437	
1976 Barley Payment and Adjustment Payment Account	302,925	
1976 Designated Barley Payment Account	158,123	884,436
		7,742,493

Expenditures

Authorized by Order-in-Council No.	Description of Purpose	Unexpended as at July 31, 1983	Authorized Crop Year 1983-84	Unexpended as at July 31, 1984	Expended Crop Year 1983-84	
		$	$	$	$	
P.C. 1984-2690	Customer Mission Program	150,740	200,000	282,951	67,789	
P.C. 1984-2689	General Promotion and Overseas Advertising	86,838	150,000	124,454	112,384	
P.C. 1984-2642	Market Development		500,000	500,000		
P.C. 1984-1185	50th Anniversary		250,000	224,226	25,774	
P.C. 1983-3764	Canadian HY320 Wheat Testing Program		267,000	28,298	238,702	
P.C. 1983-2007	Canadian International Grains Institute Capital Expenditures	150,000		86,288	63,712	
P.C. 1983-2006	Market Development 1983-84	179,736			179,736	
P.C. 1983-2003	Joint Policy Co-ordinating Committee of Can. and U.S. Wheat Producers	100,000		90,030	9,970	
P.C. 1983-806	Prairie Grain Advance Payments Act—Administration	2,000,000		1,000,000	1,000,000	
P.C. 1982-2464	Market Development 1982-83	85,751		75,650	10,101	
P.C. 1981-3517	Remote Sensing Crop Monitoring Project	20,312		20,312		
P.C. 1981-3436	Scholarship and Assistantship Program	129,284	150,716	36,517	243,483	
P.C. 1980-669	Prairie Production Symposium	25,330		25,242	88	
		2,927,991	1,517,716	2,493,968		1,951,739
						5,790,754

Less: payments to producers against old payment accounts previously transferred to the Special Account	12,239
Balance of Special Account as at July 31, 1984	5,778,515

As at July 31, 1984, there were unexpended authorizations totalling $2,493,968 leaving an unexpended balance of $3,284,547 in the Account.

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS

The Financial Statements of the Canadian Wheat Board including notes thereto for the crop year under review consist of the Balance Sheet (Exhibit I), which sets forth the financial position of the Board as at July 31, 1984, together with other statements (Exhibits II to X) showing the results of Board operations for the year.

The practice of the Board is to include in its accounts at July 31, the final operating results of pool accounts when marketing operations have been completed before the issuance of the annual report. Operations on the 1983-84 Pool Accounts for Wheat, Amber Durum Wheat, Oats, Designated Oats, Barley and Designated Barley were completed on October 31, 1984, and details of the final operating of these pool accounts with commentary thereon are presented in this section of the report.

Although the basic measurement for grain has been the "tonne" since February 1, 1978, for your information a tonne equals 36.74371 bushels of Wheat, 64.84183 bushels of Oats or 45.92963 bushels of Barley.

Pool Account — Wheat

Initial Payments

During the crop year the Board was authorized to purchase wheat from producers at a fixed initial price of $170.00 per tonne for No. 1 Canada Western Red Spring.

Supplies of Wheat

Supplies of wheat in the 1983-84 Pool were 21,117,075 tonnes, comprised of 20,186,978 tonnes delivered by producers, 85,330 tonnes acquired from other than producers and 844,767 tonnes purchased from the previous pool.

Grade Pattern

Deliveries of grain to the 1983-84 Pool Account were of considerably higher quality compared with receipts in the previous pool. Deliveries of Nos. 1 and 2 Canada Western Red Spring totalled 15.029 million tonnes or 74.45 per cent of total receipts, while No. 3 Canada Western Red Spring receipts of 3.703 million tonnes amounted to 18.35 per cent of total receipts. Deliveries of Utility grades including Canada Feed amounted to .550 million tonnes or 2.72 per cent of total producer deliveries. Approximately 3.08 per cent of producer deliveries graded tough while .22 per cent graded damp.

Financial Statement of Operations and Surplus for Distribution to Producers — Wheat — Table A

Marketing operations on the Pool Account for Wheat resulted in an operating surplus of $478,602,282. After allowing for the cost of issuing the final payment and adding estimated interest earnings subsequent to October 31, 1984, the net surplus for distribution to producers amounted to $490,326,963. This represents an average of $24.289 on producer deliveries of 20,186,978 tonnes. Table B shows the total price realized by producers at $193.980 for No. 1 CW Red Spring, comparable with $192.344 for the previous pool.

Table B shows the initial payment, final payment and total prices realized by producers for the principal grades in the 1983-84 Pool Account.

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1983-84 POOL ACCOUNT — WHEAT FOR THE PERIOD AUGUST 1, 1983, TO OCTOBER 31, 1984

(with prior year figures for the 1982-83 Pool Account for comparison)

TABLE A

	1983-84 Pool Account		1982-83 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	20,186,978 tonnes		22,231,894 tonnes	
	$	$	$	$
Sales value	3,975,923,801	196.955	4,209,798,178	189.359
Initial payments to producers	3,352,896,639	166.092	3,711,880,032	166.962
Gross Surplus	623,027,162	30.863	497,918,146	22.397
Deduct Operating Costs				
Carrying charges				
Country elevators	89,905,467	4.453	95,374,468	4.290
Terminal storage	18,909,270	.937	19,301,107	.868
Total Carrying Charges	108,814,737	5.390	114,675,575	5.158
Bank interest and net interest on other Board accounts	(3,463,630)	(.172)	(18,084,165)	(.813)
Demurrage	(435,169)	(.022)	9,094,749	.409
Additional freight To terminals	2,422,929	.120	3,580,308	.161
—Freight rate change	8,246,530	.409		
Handling and stop-off	(49,462)	(.002)	(38,566)	(.002)
Drying	1,713,617	.085	788,818	.036
Rental of Hopper Cars			1,749,597	.079
Interest and depreciation on Wheat Board hopper cars	9,424,620	.467	9,876,572	.444
Wheat Board administrative expenses	17,750,708	.879	17,035,075	.766
Total Operating Costs	144,424,880	7.154	138,677,963	6.238
Surplus on Operations	478,602,282	23.709	359,240,183	16.159
Add: interest earned after October 31	11,883,105	.588	8,199,780	.369
Deduct: cost of issuing final payment	158,424	.008	183,317	.008
Surplus for Distribution to Producers	490,326,963	24.289	367,256,646	16.520

TOTAL PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF WHEAT BASIS IN STORE THUNDER BAY OR VANCOUVER — TABLE B

Grade	Initial payments	Final payments	Total
	(dollars per tonne)		
Red Spring Wheat Grades			
No. 1 Canada Western Red Spring	170.00	23.980	193.980
No. 2 Canada Western Red Spring	164.21	26.023	190.233
No. 3 Canada Western Red Spring	159.21	19.346	178.556
No. 1 Canada Utility	155.21	19.346	174.556
No. 2 Canada Utility	141.21	22.777	163.987
Canada Feed	138.21	7.252	145.462
No. 1 Canada Western Red Winter	159.21	19.346	178.556
No. 2 Canada Western Red Winter	156.21	20.346	176.556
No. 1 Canada Western Soft White Spring	147.21	26.516	173.726
No. 2 Canada Western Soft White Spring	144.21	28.516	172.726

Operating Costs

Operating costs incurred applicable to the pool were $144,424,880 or $7.154 per tonne. Details of the principal costs and comment thereon follows:

Carrying Charges — $108,814,737

Total carrying charges incurred by the Board, including storage and interest charges on wheat in country elevators and storage on wheat in terminal elevators amounted to $108,814,737 or $5.390 per tonne.

Bank Interest and Net Interest on Other Board Accounts — ($3,463,630)

This consists mainly of bank interest and interest paid to or received from other Board accounts. Interest earned exceeded interest paid by $3,463,630 or $.172 per tonne.

Additional Freight — To Terminals — $2,422,929 — Freight Rate Change — $8,246,530

During the crop year the Board paid $2,422,929 of additional freight arising out of the movement of grain in adverse direction.

With the abolition of the Crow's Nest Pass freight rate on December 31, 1983, freight rates increased by approximately 18 per cent on January 1, 1984, and a further increase of approximately 31 per cent on August 1, 1984. The Board was required to pay the additional freight on the country liabilities held by its agents on January 1 and August 1 amounting to $8,246,530 in the Wheat account.

Drying Charges — $1,713,617

Drying charges for 1983-84 totalled $1,713,617, a substantial increase from the previous year. Although the receipts of tough and damp grain delivered to the pool under review were significantly less than the previous year, a much greater proportion of those deliveries were dried.

Interest and Depreciation on Wheat Board Hopper Cars — $9,424,620

Costs for the use of the Board's 2,000 hopper cars include depreciation and interest. Hopper car expenses attributable to the 1983-84 Wheat Account totalled $9,424,620 compared to $9,876,572 for the previous pool.

Pool Account — Amber Durum Wheat

Initial Payments

At the beginning of the crop year the Board was authorized to purchase wheat from producers at a fixed initial price of $165.00 per tonne for No. 1 Canada Western Amber Durum Wheat. Effective February 20, 1984, the initial price for No. 1 Canada Western Amber Durum Wheat was increased to $180.00 per tonne.

Supplies of Amber Durum Wheat

Supplies of Amber Durum Wheat in the 1983-84 Pool were 2,750,330 tonnes, comprised of 2,278,079 tonnes delivered by producers, 8,408 tonnes acquired from other than producers and 463,843 tonnes purchased from the previous pool.

Grade Pattern

Receipts of Nos. 1, 2 and 3 Canada Western Amber Durum totalled 2.225 million tonnes or 98.10 per cent of total producer deliveries. The tough and damp grades delivered amounted to .43 per cent of the total receipts.

Final Statement of Operations and Surplus for Distribution to Producers — Amber Durum Wheat — Table C

Table C shows the operating results of the Pool Account for the crop year. Marketing operations resulted in a surplus of $50,593,695. Operating expenses totalled $18,591,794 for the year or $8.161 per tonne. The principal cost was carrying charges amounting to $13,327,156 or $5.850 per tonne. After allowing for the cost of issuing the final payment and estimated interest earnings subsequent to October 31, 1984, the net surplus for distribution to producers was $51,825,733. This represents an overall average of $22.750 per tonne on producer deliveries of 2,278,079 tonnes. Table D shows the total payment received by producers for the principal grades of Amber Durum Wheat delivered during the crop year. This table shows the total price realized by producers for No. 1 Canada Western Amber Durum Wheat of $204.043 per tonne, compared to $187.445 per tonne for the previous pool.

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS
ON THE 1983-84 POOL ACCOUNT—AMBER DURUM WHEAT
FOR THE PERIOD AUGUST 1, 1983, TO OCTOBER 31, 1984
(with prior year figures for the 1982-83 Pool Account for comparison)

TABLE C

	1983-84 Pool Account		1982-83 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	2,278,079 tonnes		2,885,156 tonnes	
	$	$	$	$
Sales value	475,588,757	208.767	548,665,349	190.168
Initial payments to producers	406,403,268	178.397	495,730,824	171.821
Gross Surplus	69,185,489	30.370	52,934,525	18.347
Deduct Operating Costs				
Carrying charges				
Country elevators	10,884,477	4.778	12,517,284	4.339
Terminal storage	2,442,679	1.072	3,619,402	1.254
Total carrying charges	13,327,156	5.850	16,136,686	5.593
Interest	(274,924)	(.120)	1,261,723	.437
Demurrage	1,495,075	.656	520,557	.181
Additional freight —To terminals	269,658	.118	117,958	.041
—Freight rate changes	701,687	.308		
Handling and stop-off	3,642	.002	882	.000
Drying	2,793	.001	24,232	.008
Rental of Hopper Cars			227,053	.079
Interest and depreciation on Wheat Board hopper cars	1,063,558	.467	1,281,737	.444
Wheat Board administrative expenses	2,003,149	.879	2,210,740	.766
Total Operating Costs	18,591,794	8.161	21,781,568	7.549
Surplus on Operations	50,593,695	22.209	31,152,957	10.798
Add: interest earned after October 31	1,256,179	.551	711,077	.247
Deduct: cost of issuing final payment	24,141	.010	31,230	.011
Surplus for Distribution to Producers	51,825,733	22.750	31,832,804	11.034

TOTAL PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF AMBER DURUM WHEAT BASIS IN STORE THUNDER BAY OR VANCOUVER

TABLE D

Grade	Initial payments	Final payments	Total
	(dollars per tonne)		
Amber Durum Wheat Grades			
No. 1 Canada Western Amber Durum	180.00	24.043	204.043
No. 2 Canada Western Amber Durum	177.21	21.833	199.043
No. 3 Canada Western Amber Durum	175.21	18.833	194.043
No. 4 Canada Western Amber Durum	159.21	13.252	172.462
No. 5 Canada Western Amber Durum	153.21		153.210

Pool Account—Oats

Commencing August 1, 1981, as authorized by Order-in-Council, oats selected and accepted from producers for use in processing and milling for human consumption, has been set up in a separate pool under the caption "Designated Oats". As a result, the transactions described here consist mainly of marketing results related to feeding grades of oats.

Initial Payments

At the beginning of the crop year the Board was authorized to purchase oats from producers at a fixed initial price of $75.00 per tonne for No. 1 Feed Oats. Effective October 24, 1983, the initial price for No. 1 Feed Oats was increased to $100.00 per tonne.

Grade Pattern

Deliveries of Nos. 1 and 2 Canada Western Oats comprised 1.64 per cent of producer deliveries with feeding grades constituting the remaining 98.36 per cent of total receipts. Board receipts of tough and damp oats made up 6.02 per cent of deliveries.

Final Statement of Operations and Surplus for Distribution to Producers—Oats—Table E

Table E shows the operating results of the Pool Account for the 1983-84 crop year. Marketing operations resulted in a surplus of $385,062. Operating expenses totalled $857,179 or $15.475 per tonne. The principal cost was carrying charges amounting to $555,693 or $10.032 per tonne. After allowing for the cost of issuing the final payment and estimated interest earnings subsequent to October 31, 1984, the net surplus for distribution to producers was $390,763 which represents an overall average of $7.055 per tonne on producer deliveries of 55,389 tonnes. Table F shows the total payment received by producers for the principal grades of oats delivered during the crop year.

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS
ON THE 1983-84 POOL ACCOUNT—OATS
FOR THE PERIOD AUGUST 1, 1983, TO OCTOBER 31, 1984
(with prior year figures for the 1982-83 Pool Account for comparison)

TABLE E

	1983-84 Pool Account		1982-83 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	55,389 tonnes		170,900 tonnes	
	$	$	$	$
Sales value	6,738,895	121.664	19,152,559	112.069
Initial payments to producers	5,496,654	99.237	15,287,956	89.456
Gross Surplus	1,242,241	22.427	3,864,603	22.613
Deduct Operating costs				
Carrying charges				
Country elevators	374,439	6.760	1,106,878	6.477
Terminal storage	181,254	3.272	460,565	2.695
Total Carrying Charges	555,693	10.032	1,567,443	9.172
Interest	20,530	.371	225,162	1.317
Additional freight—To terminals	177,403	3.203	210,909	1.234
—Freight rate changes	28,989	.523		
Drying				
Rental of Hopper Cars			13,449	.079
Interest and depreciation on Wheat Board hopper cars	25,859	.467	75,923	.444
Wheat Board administrative expenses	48,705	.879	130,952	.766
Total Operating Costs	857,179	15.475	2,223,838	13.012
Surplus on Operations	385,062	6.952	1,640,765	9.601
Add: interest earned after October 31	9,560	.173	37,451	.219
Deduct: cost of issuing final payment	3,859	.070	14,727	.086
Surplus for Distribution to Producers	390,763	7.055	1,663,489	9.734

TOTAL PAYMENTS RECEIVED BY PRODUCERS
FOR PRINCIPAL GRADES OF OATS
BASIS IN STORE THUNDER BAY OR
VANCOUVER

TABLE F

Grade	Initial payments	Final payments	Total
	(dollars per tonne)		
Oats Grades			
No. 1 Canada Western	106.00	13.107	119.107
No. 2 Canada Western	104.00	13.232	117.232
Extra No. 1 Feed	102.00	9.807	111.807
No. 1 Feed	100.00	6.607	106.607
No. 2 Feed	95.92	7.687	103.607

Pool Account—Designated oats

Beginning with the crop year commencing on August 1, 1981, oats that have been delivered to the Board to be sold by the Board to purchasers who have selected and accepted the oats for use in processing and milling for human consumption, has been set up in a separate account. This account has been labelled "Designated Oats" and the results of operations on this account with comment thereon are contained in this section of the report.

Initial Payments

At the beginning of the crop year the Board was authorized to purchase Designated Oats from producers at fixed initial prices of $125.00 and $123.00 per tonne for Nos. 1 and 2 Canada Western Oats respectively and $119.00 per tonne for No. 1 Feed Oats. Effective October 24, 1983, the initial price for Nos. 1 and 2 Canadian Western Oats was increased to $140.00 and $138.00 per tonne respectively and $134.00 per tonne for No. 1 Feed Oats.

Supplies and Grade Pattern

Supplies of oats in the designated pool were 40,023 tonnes representing deliveries to the Board by producers during the crop year of oats which were selected and accepted by purchasers for use in processing and milling for human consumption. Receipts of Nos. 1 and 2 Canada Western Oats totalled 27,202 tonnes or 67.97 per cent of total deliveries. Feeding grades totalled 12,821 tonnes or 32.03 per cent of total receipts.

Final Statement of Operations and Surplus for Distribution to Producers—Designated Oats—Table G

Table G shows the operating results of this Pool Account for the crop year. Marketing operations resulted in a surplus of $591,895. As to operating costs, it should be noted that the Designated Oats Pool, by its very nature does not incur the handling expenses normally related to feeding grades of oats. It is not stored by the Board, being selected by the purchaser and shipped at his request from farm to processing plant via the country elevator. As a result, the only expenses incurred attributable to such oats were costs related to hopper cars owned by the Wheat Board and administrative charges totalling $53,878 or $1.346 per tonne. These expenses were more than offset by interest earnings on the accumulating surplus in the pool of $77,206 or $1.929 per tonne. After providing for the cost of issuing the final payment and adding estimated interest earnings subsequent to October 31, 1984, the net surplus for distribution to producers was $605,979 or $15.141 per tonne on producer deliveries of 40,023 tonnes. Table H shows the total payment received by producers for the principal grades of Designated Oats delivered during the crop year.

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS
ON THE 1983-84 POOL ACCOUNT—DESIGNATED OATS
FOR THE PERIOD AUGUST 1, 1983, TO OCTOBER 31, 1984
(with prior year figures for the 1982-83 Pool Account for comparison)

TABLE G

	1983-84 Pool Account		1982-83 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	40,023 tonnes		30,792 tonnes	
	$	$	$	$
Sales value	6,067,327	151.596	4,472,775	145.259
Initial prices paid to producers	5,498,760	137.390	4,225,541	137.230
Gross Surplus	568,567	14.206	247,234	8.029
Deduct Operating costs				
Interest and bank charges	(77,206)	(1.929)	(52,229)	(1.696)
Rental of Hopper Cars			2,423	.079
Interest and depreciation on Wheat Board hopper cars	18,685	.467	13,679	.444
Wheat Board administrative expenses	35,193	.879	23,594	.766
Total Operating Costs	(23,328)	(.583)	(12,533)	(.407)
Surplus on Operations	591,895	14.789	259,767	8.436
Add: interest earned after October 31	14,696	.367	5,929	.193
Deduct: cost of issuing final payment	612	.015	657	.021
Surplus for Distribution to Producers	605,979	15.141	265,039	8.608

TOTAL PAYMENTS RECEIVED BY PRODUCERS
FOR PRINCIPAL GRADES OF DESIGNATED OATS
BASIS IN STORE THUNDER BAY OR
VANCOUVER

TABLE H

Grade	Initial payments	Final payments	Total
	(dollars per tonne)		
Oats Grades			
No. 1 Canada Western	140.00	16.832	156.832
No. 2 Canada Western	138.00	16.832	154.832
Extra No. 1 Feed	136.00	12.332	148.332
No. 1 Feed	134.00	10.332	144.332
No. 2 Feed	130.00	12.332	142.332

Pool Account—Barley

Since August 1, 1975, as authorized by Order-in-Council, barley selected and accepted from producers for the use of malting, pot or pearling, has been set up in a separate pool under the caption "Designated Barley". As a result, the transactions remaining in the Barley Pool Account described here consist mainly of marketing results related to feeding grades of barley.

Initial Payments

At the beginning of the crop year the Board was authorized to purchase barley from producers at a fixed initial price of $95.00 per tonne for No. 1 Feed Barley. Effective October 24, 1983, the intial price for No. 1 Feed Barley was increased to $110.00 per tonne.

Supplies and Grade Pattern

Supplies in the regular Feed Barley pool were 4,031,483 tonnes comprised of 4,007,756 tonnes delivered by producers and 23,727 tonnes acquired from other than producers. Deliveries of Nos. 1 and 2 Feed Barley comprised 98.67 per cent of the producer deliveries in the pool. Board receipts of tough and damp barley made up 4.41 per cent of deliveries.

Final Statement of Operations and Surplus for Distribution to Producers—Barley—Table I

Table I shows the operating results of the Pool Account for the crop year. Marketing operations resulted in a surplus of $110,509,643. Operating expenses totalled $7,999,538 for the year or $1.996 per tonne. The principal cost was carrying charges amounting to $6,929,501 or $1.729 per tonne. After allowing for the cost of issuing the final payment and estimated interest earnings subsequent to October 31, 1984, the net surplus for distribution to producers was $113,185,268. This represents an overall average of $28.242 per tonne on producer deliveries of 4,007,756 tonnes. Table J shows the total payment received by producers for No. 1 Feed Barley as $138.023 per tonne.

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS
ON THE 1983-84 POOL ACCOUNT—BARLEY
FOR THE PERIOD AUGUST 1, 1983, TO OCTOBER 31, 1984
(with prior year figures for the 1982-83 Pool Account for comparison) TABLE I

	1983-84 Pool Account		1982-83 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	4,007,756 tonnes		4,574,888 tonnes	
	$	$	$	$
Sales value	557,270,427	139.048	517,403,578	113.097
Initial payments to producers	438,761,246	109.478	500,382,278	109.376
Gross Surplus	118,509,181	29.570	17,021,300	3.721
Deduct Operating costs				
Carrying charges				
Country elevators	4,683,339	1.169	11,634,461	2.543
Terminal storage	2,246,162	.560	2,827,574	.618
Total Carrying Charges	6,929,501	1.729	14,462,035	3.161
Interest	(7,543,393)	(1.882)	(265,115)	(.058)
Demurrage	1,941,439	.484	1,031,954	.226
Additional freight—To terminals	902,833	.225	1,266,470	.277
—Freight rate changes	207,308	.052		
Handling and stop-off	(108,820)	(.027)	(33,710)	(.007)
Drying	275,505	.069	205,978	.045
Rental of Hopper Cars			360,030	.079
Interest and depreciation on Wheat Board hopper cars	1,871,085	.467	2,032,403	.444
Wheat Board administrative expenses	3,524,080	.879	3,505,490	.766
Total Operating Costs	7,999,538	1.996	22,565,535	4.933
Surplus (Deficit) on Operations	110,509,643	27.574	(5,544,235)	(1.212)
Add: interest earned after October 31	2,743,818	.685		
Deduct: cost of issuing final payment	68,193	.017		
Surplus for Distribution to Producers	113,185,268	28.242		

TOTAL PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF DESIGNATED BARLEY BASIS IN STORE THUNDER BAY OR VANCOUVER TABLE J

Grade	Initial payments	Final payments	Total
	(dollars per tonne)		
Barley Grades			
No. 1 Canada Western Six-Row	112.93	28.593	141.523
No. 2 Canada Western Six-Row	111.93	28.593	140.523
No. 2 Canada Western Two-Row	111.93	28.593	140.523
No. 1 Feed	110.00	28.023	138.023
No. 2 Feed	107.43	29.903	137.333

Pool Account — Designated Barley

As stated previously, since August 1, 1975, barley that has been delivered to the Board to be sold by the Board to purchasers who have selected and accepted the barley for the use of malting, pot or pearling, has been set up in a separate Pool Account. This account has been labelled "Designated Barley" and the results of operations on this account with comment thereon are contained in this section of the report.

Initial Payments

During the crop year the Board was authorized to purchase Designated Barley from producers at a fixed initial price of $140.00 per tonne for No. 2 Canada Western Six-Row and No. 2 Canada Western Two-Row.

Supplies and Grade Pattern

Supplies of barley in the designated pool were 1,004,377 tonnes representing deliveries to the Board by producers during the crop year of barley which has been selected and accepted by purchasers for the use of malting, pot or pearling. Of these receipts 753,804 tonnes or 75.05 per cent were row grades and 250,573 tonnes or 24.95 per cent were feeding grades. Receipts of tough and damp grades totalled 6,030 tonnes or .60 per cent of total.

Final Statement of Operations and Surplus for Distribution to Producers — Designated Barley — Table K

Table K shows the operating results of this Pool Account for the crop year. Marketing operations resulted in a surplus of $31,381,262. As to operating costs, it should be noted that the Designated Barley by its very nature does not incur the handling expenses normally related to feeding grades of barley or other grains. It is not stored by the Board, being selected by the processor (buyer) from a producer's sample and is shipped on buyer's call directly from farm to processing plant via the country elevator. As a result the only expenses incurred attributable to such barley were costs related to hopper cars owned by the Wheat Board and administrative charges totalling $1,352,074 or $1.346 per tonne. These expenses were more than offset by interest earnings on the accumulating surplus in the pool of $3,836,353 or $3.819 per tonne. After allowing for the cost of issuing the final payment and estimated interest earnings subsequent to October 31, 1984, the net surplus for distribution to producers was $32,149,480 or $32.009 per tonne on producer deliveries of 1,004,377 tonnes. This is compared to $8,670,924 or $8.419 per tonne for the previous year. Table L shows the total payment received by producers for the principal grades of Designated Barley. The final return to producers for deliveries of No. 2 Canada Western Six-Row and No. 2 Canada Western Two-Row was $168.085 and $176.625 respectively, compared to $163.377 and $169.036 for these two grades respectively in the previous pool.

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS
ON THE 1983-84 POOL ACCOUNT—DESIGNATED BARLEY
FOR THE PERIOD AUGUST 1, 1983, TO OCTOBER 31, 1984
(with prior year figures for the 1982-83 Pool Account for comparison)

TABLE K

	1983-84 Pool Account		1982-83 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	1,004,377 tonnes		1,029,868 tonnes	
	$	$	$	$
Sales value	168,836,744	168.101	169,135,392	164.230
Initial payments to producers	139,939,761	139.330	161,381,046	156.701
Gross Surplus	28,896,983	28.771	7,754,346	7.529
Deduct Operating Costs				
Interest	(3,836,353)	(3.819)	(2,063,962)	(2.004)
Rental of Hopper Cars			81,047	.079
Interest and depreciation on Wheat Board hopper cars	468,910	.467	457,521	.444
Wheat Board administrative expenses	883,164	.879	789,132	.766
Total Operating Costs	(2,484,279)	(2.473)	(736,262)	(.715)
Surplus on Operations	31,381,262	31.244	8,490,608	8.244
Add: interest earned after October 31	779,158	.776	193,801	.188
Deduct: cost of issuing final payment	10,940	.011	13,485	.013
Surplus for Distribution to Producers	32,149,480	32.009	8,670,924	8.419

TOTAL PAYMENTS RECEIVED BY PRODUCERS FOR
PRINCIPAL GRADES OF DESIGNATED BARLEY
BASIS IN STORE THUNDER BAY OR
VANCOUVER

TABLE L

Grade	Initial payments	Final payments	Total
	(dollars per tonne)		
Designated Barley Grades			
No. 1 Canada Western Six-Row	141.27	27.815	169.085
No. 2 Canada Western Six-Row	140.00	28.085	168.085
No. 1 Canada Western Two-Row	141.27	37.626	178.896
No. 2 Canada Western Two-Row	140.00	36.625	176.625
No. 1 Feed	136.77	30.215	166.985
No. 2 Feed	134.77	28.815	163.585

Notes to financial statements

The following notes are an integral part of the financial statements.

1. Accounting Policies

(a) Operating Results and Valuation of Stocks of Grain

The annual accounts at July 31 include the final operating results of all pool accounts for the crop year ended July 31 when marketing operations have been completed before the issuance of the annual report for that year. In determining the surpluses available for distribution on such pools the accounts of the Board at July 31 include:

(i) the stocks of such grains on hand at that date at the values which were ultimately received from the sale thereof basis in store Thunder Bay, Vancouver or Churchill; and

(ii) provision for all expenses incurred or to be incurred before the sales proceeds are realized in cash or in bills of exchange, including a charge for the portion of administrative and general expenses to be incurred subsequent to July 31 but relating to the marketing and accounting for the grains in the various pools before they are closed.

For pool accounts for which marketing operations have not been completed before the issuance of the annual report, the unsold stocks at July 31 are valued at cost, which is the initial price paid to producers, and no provision is made for carrying costs, interest, and administrative expenses beyond that date. Any debit or credit balance in these accounts is carried on the balance sheet.

(b) Foreign Currency Translations

Bills of exchange receivable in United States funds which are covered by forward exchange contracts are translated at the contract rates. In all other cases, bills of exchange receivable and bank loans payable in United States funds are translated at the rate of exchange in effect as at the balance sheet date, as is also the liability for debentures repayable in United States funds.

Foreign exchange adjustments arising from conversion of bills of exchange and bank loans are included in operating results. Adjustments arising from conversion of debenture debt are amortized over the term of the debentures.

(c) Depreciation

The rates of depreciation being applied are intended to fully depreciate assets over their expected lives and are as follows:

Hopper cars	30 years
Office building	40 years
Office furniture and equipment	10 years
Automotive equipment	2 years

(to ⅓ residual value)

(d) Administration and General Expenses

Administration and general expenses, except for that portion of such expenses attributable to distributing final payments to producers, are allocated to the various pool account operations to which the services relate on the basis of the relative tonnage. Expenses attributable to final payments are allocated on the basis of the number of producers receiving payments from the various pool accounts.

2. Bills of exchange plus accrued interest

Of the total bills of exchange receivable, $1,330,848,725 (1983—$962,977,686) represents the Canadian equivalent of $1,016,302,959 (1983—$780,940,464) repayable in United States funds.

The balances receivable arise from sales of grain to Brazil, Egypt, German Democratic Republic, Haiti, Iraq, Israel, Mexico, Jamaica, Peru, Poland and Zambia. The terms call for payment in full within 36 months or less from time of shipment, except for Poland, Peru and Zambia where the Board, together with the Canadian Government, have agreed to reschedule certain receivables beyond their original maturity dates. Terms of such reschedulings call for payment of interest and the rescheduled debt within eight years. As at July 31, total reschedulings amounted to $155,242,824 including $38,339,041 which is the Canadian equivalent of $29,570,040 receivable in United States currency. Subsequent to year end, the Government of Canada and other creditor nations agreed to a further rescheduling of Zambian debt that had earlier been rescheduled. Included in the reschedulings referred to earlier in this paragraph is $5,981,939 which will form part of this further rescheduling.

Besides rescheduling certain obligations that matured during 1981, Poland has not made payment of any principal and interest amounts that matured in the period January 1, 1982, to the close of the current crop year. As at July 31, 1984, unpaid amounts totalled $1,165,761,318 which includes the Canadian equivalent of $338,333,491 receivable in United States funds. It is expected that all unpaid amounts maturing during the 1982, 1983 and 1984 calendar years, amounting to $1,366,860,889 including the Canadian equivalent of $526,409,691 receivable in United States funds will be the subject of a further rescheduling agreement in early 1985 in accordance with the multi-lateral arrangement concluded between Poland and official creditors.

During the crop year the Government of Canada and other creditor nations agreed to reschedule over an eight year period certain obligations owing by Brazil. The Board, together with the Government of Canada, concluded the bilateral Rescheduling Agreement subsequent to the year end. The accounts of the Board at July 31, 1984, include $316,109,424 which was subject to rescheduling under this agreement.

Also, during the crop year the Board, together with Government of Canada agreed to regularized payments from Haiti of amounts that had fallen into arrears. The accounts of the Board at July 31, 1984, included $11,634,610 which will be repaid in regular equal monthly payments. This amount is expected to be fully repaid within 36 months.

Subsequent to year end the Government of Canada and other creditor nations agreed to reschedule over a nine-year period certain obligations owing by Jamaica. The accounts of the Board at July 31, 1984, include $6,846,942 which will be subject to rescheduling under this arrangement.

Credit sales are made within limits established by the Government of Canada which guarantees the Board's borrowings incurred to finance such sales, both as to principal and interest.

3. Accounts receivable

Settlement on amounts due from Board agents on sales completed as at July 31 were received shortly after that date. Sundry accounts receivable consists mainly of freight costs which are recovered on completed sales.

4. Covered Hopper Cars

The Board purchased 2,000 covered hopper cars in 1979-80 having an original cost of $90,555,623 with accumulated depreciation of $13,443,561 to July 31, 1984. Of these 2,000 cars, 21 cars have been wrecked and dismantled leaving 1,979 still in the fleet as at the year end. The Board is reimbursed for destroyed cars under an operating agreement with the Canadian National Railway.

5. Liability to banks

Details of bank borrowings are as follows:

	July 31 1984	July 31 1983
	$	$
Ordinary operations	150,914,705	82,219,221
Loans to finance credit sales	3,012,037,450	2,350,452,449
	3,162,952,155	2,432,671,670

Of the total liability $1,329,541,729 (1983—$962,313,138) represents the Canadian equivalent of $1,015,304,871 (1983—$780,401,539) repayable in United States funds.

The Board's borrowings from chartered banks are guaranteed by the Government of Canada.

6. Debentures payable

The debentures with a face value of U.S. $50,000,000 were issued on December 1, 1982, at a price of $99.50 per $100, and bear interest at 11¼% per annum payable each December 1. No principal repayments are required until maturity on December 1, 1990. Under certain circumstances the Board may redeem the debentures in whole or in part prior to maturity. Depending upon the particular circumstances giving rise to any early redemption, a premium may be payable on the principal amount redeemed.

The debentures are secured by a charge against grain held by the Board.

7. Liability to agents for grain purchased from producers

Grain companies acting in the capacity of agents of the Board accept deliveries from producers at country elevators and pay the producers on behalf of the Board based on the Board's initial price in effect. Settlement is not made by the Board for these purchases until delivery to the Board is completed by its agents at terminal or mill position. Liability to agents amounting to $826,390,827 (1983—$1,098,454,073) represents the amount payable by the Board to its agents for 5,064,789 (1983—6,980,841) tonnes of wheat, amber durum wheat, oats and barley on hand at country elevator points and in transit at July 31 for which delivery to and settlement by the Board is to be completed subsequent to year end date.

8. Liability to agents for deferred cash tickets

Grain companies as agents of the Board deposit with the Board in trust the proceeds of deferred cash tickets issued for Board grain. These monies are returned to the grain companies to cover producer deferred cash tickets maturing predominately during the first days of the following calendar year.

9. Accrued expenses and accounts payable

This item principally comprises accrued carrying charges, storage, interest and transportation charges to July 31, 1984, together with all other unpaid sundry accounts as at the foregoing date. It also includes provisions for all charges relating to the marketing of Pool Accounts for wheat, amber durum wheat, oats, designated oats, barley and designated barley for the period from August 1, 1984, to completion of operations on October 31, 1984.

10. Special account — Net balance of undistributed payment accounts

In accordance with the provision of Section 30 of the Canadian Wheat Board Act the Governor in Council may authorize the Board to transfer to a Special Account the unclaimed balances remaining in payment accounts which have been payable to producers for a period of six years or more. In addition to providing for payment of proper claims from producers against these old payment accounts, the Section further provides that these funds shall be used for purposes as the Governor in Council upon the recommendations of the Board may deem to be for the benefit of producers.

11. Provision for final payment expenses

This represents the balance of the Board's reserve for final payment expenses of pool accounts that have been closed. Six years after particular accounts have been closed, the remaining reserves for these pools are transferred to the special account by Order-in-Council.

12. Lease commitments

The Board, as an agent of Her Majesty in Right of Canada, is the lessor of 2,000 covered hopper cars for the Government of Canada. All lease costs are recoverable from the Government and are not a charge to the operations of the Board. Total payments associated with leases in the year ended July 31, 1984, amounting to $16,166,224 (1983—$16,272,614) have been recovered by the Board. Lease terms are for 20 and 25 years.

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

AUDITOR'S REPORT

TO THE INTERNATIONAL DEVELOPMENT RESEARCH CENTRE
AND
THE RIGHT HONOURABLE CHARLES JOSEPH CLARK, P.C., M.P.
SECRETARY OF STATE FOR EXTERNAL AFFAIRS

I have examined the balance sheet of the International Development Research Centre as at March 31, 1985 and the statements of operations, equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Centre as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 14, 1985

BALANCE SHEET AS AT MARCH 31, 1985

ASSETS	1985	1984
	$	$
Current		
Cash	467,781	292,165
Investments (Note 3)	14,768,861	16,379,708
Accounts receivable	444,586	685,257
Prepaid expenses	827,819	661,244
	16,509,047	18,018,374
Recoverable deposits	435,329	182,806
Property and equipment (Note 4)	3,350,611	3,501,636
	20,294,987	21,702,816
	20,294,987	21,702,816

LIABILITIES	1985	1984
	$	$
Current		
Accounts payable and accrued liabilities (Note 5)	9,453,247	10,736,463
Funds provided for contract research	268,100	387,985
Obligation under capital lease	69,903	58,966
	9,791,250	11,183,414
Long-term		
Obligation under capital lease (Note 6)	275,331	345,233
Accrued employee separation benefits	2,199,784	2,255,458
	2,475,115	2,600,691
	12,266,365	13,784,105
EQUITY		
Equity of Canada	8,028,622	7,918,711
	20,294,987	21,702,816

Approved:

V. G. JORSSEN
Comptroller General and Treasurer

IVAN L. HEAD
President

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Expenditure		
Development research		
Project grants	42,698,341	35,028,345
Centre projects	6,192,636	6,470,802
	48,890,977	41,499,147
Research related activities		
Project development and support	4,543,729	3,197,026
Information dissemination	1,975,359	1,839,571
Development research library	1,212,198	1,138,760
	7,731,286	6,175,357
Research operational support		
Technical support	10,675,987	8,704,415
Regional and liaison offices	4,456,076	3,477,706
Division management	3,997,117	3,376,809
	19,129,180	15,558,930
Contract research	494,900	436,935
Total research and support expenditure (Schedule 1)	76,246,343	63,670,369
General management expenditure (Schedule 2)	8,303,128	6,940,920
	84,549,471	70,611,289
Revenue		
Grant from Parliament of Canada	81,000,000	67,400,000
Investment and other income	3,164,482	2,638,579
Contract research	494,900	436,935
	84,659,382	70,475,514
Excess of revenue over expenditure (expenditure over revenue)	109,911	(135,775)

STATEMENT OF EQUITY OF CANADA FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Balance at the beginning of the year	7,918,711	8,054,486
Excess of revenue over expenditure (expenditure over revenue)	109,911	(135,775)
Balance at the end of the year	8,028,622	7,918,711

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	$	$
Source of funds		
Operations		
Excess of revenue over expenditure (expenditure over revenue)	109,911	(135,775)
Items not affecting funds		
Depreciation and amortization	875,896	645,832
Write-off of systems software	358,378	
Provision for employee separation benefits	250,893	200,514
(Gain) Loss on disposal of property and equipment	(52,333)	365
	1,542,745	710,936
Proceeds on disposal of property and equipment	83,820	15,099
Increase in current items other than cash and investments		2,286,133
Obligation under capital lease		366,574
	1,626,565	3,378,742
Use of funds		
Decrease in current items other than cash and investments	1,318,068	
Additions to property and equipment	1,114,735	1,315,196
Payment of employee separation benefits	306,568	347,993
Increase in recoverable deposits	252,523	29,648
Reduction of obligation under capital lease	69,902	21,341
	3,061,796	1,714,178
(Decrease) Increase in funds	(1,435,231)	1,664,564
Funds at the beginning of the year	16,671,873	15,007,309
Funds at the end of the year	15,236,642	16,671,873
Represented by		
Cash	467,781	292,165
Investments	14,768,861	16,379,708
	15,236,642	16,671,873

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 1985

1. Authority and objective

The International Development Research Centre as a Corporation without share capital was established in 1970 by the Parliament of Canada through the International Development Research Centre Act. The annual grant received from the Parliament of Canada is pursuant to External Affairs Votes 60 and 45 for the years ended March 31, 1985 and 1984 respectively.

The objective of the Centre is to initiate, encourage, support, and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical, and other knowledge to the economic and social advancement of those regions.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Property and equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives. Leasehold improvements are

amortized over the terms of the respective leases. The methods and rates used to provide for the depreciation and amortization of property and equipment are as follows:

	Method	Rate
Computer hardware	Straight line	20%
Leasehold improvements	Straight line	6 2/3%-33 1/3%
Office furniture and equipment	Diminishing balance	20%
Vehicles	Diminishing balance	30%
Equipment under capital lease	Straight line	20%

Research expenditure

Certain expenditures for development research, research related activities, and contract research are charged to operations when disbursed and as they become due under the terms of contractual agreements. All other research expenditure is recorded on an accrual basis.

Contract research

The Centre enters into agreements to undertake contract research on behalf of various donor agencies. The Centre recognizes contract research revenue at the time that the related expenditure is incurred. Funds received in excess of contract research expenditure incurred are reflected in current liabilities.

Pension costs

Employees of the Centre are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from the employees and the Centre. These contributions represent the total liability of the Centre and are recognized in the accounts on a current basis.

Income taxes

The Centre is exempt from any liability for income taxes.

Foreign currency translation

Monetary assets and liabilities are translated into Canadian dollars at the rate of exchange in effect at year-end. Non-monetary assets are translated at rates prevailing at the respective transaction dates. Foreign currency transactions are translated into Canadian dollars by the use of an average exchange rate that closely approximates the rate in effect at the transaction date. Exchange gains and losses are included in operations for the current period.

3. Investments

Investments consist of short-term notes and deposits and treasury bills held with:

	1985	1984
	$	$
Canadian chartered banks	12,194,159	9,448,940
Governments and governmental enterprises	1,084,412	5,949,218
Commercial enterprises	990,290	981,550
Trust and mortgage companies	500,000	
	14,768,861	16,379,708

4. Property and equipment

	1985			1984
	Cost	Accumulated depreciation and amortization	Net	Net
	$	$	$	$
Computer hardware and systems software	1,803,714	719,164	1,084,550	1,245,541
Leasehold improvements	1,775,403	1,072,452	702,951	852,480
Office furniture and equipment	1,471,662	707,264	764,398	637,476
Vehicles	684,776	271,272	413,504	328,208
Equipment under capital lease	472,794	87,586	385,208	437,931
	6,208,349	2,857,738	3,350,611	3,501,636

The Centre has written off prior year software undepreciated costs amounting to $239,415 and current year software purchases amounting to $118,963. Future software costs will be expensed when incurred. Depreciation and amortization for the year ended March 31, 1985 amounted to $875,896 ($645,832 for 1984).

5. Accounts payable and accrued liabilities

	1985	1984
	$	$
Accrued liabilities—Projects	6,475,773	7,491,383
Accrued annual and other leave benefits	1,287,894	1,421,118
Other	1,689,580	1,823,962
	9,453,247	10,736,463

6. Long-term obligation under capital lease

The future minimum lease payments under capital lease are as follows:

	1985	1984
	$	$
Year ending March 31		
1985		108,636
1986	108,636	108,636
1987	108,636	108,636
1988	108,636	108,636
1989	108,636	108,636
Total future minimum lease payments	434,544	543,180
Less amount representing interest at 13.5%	89,310	138,981
Present value of the obligation	345,234	404,199
Less current portion	69,903	58,966
	275,331	345,233

The obligation under capital lease is recorded at an amount equal to the present value of the minimum lease payments using the interest rate of 13.5% implicit in the lease.

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1985—*Concluded*

7. Operating leases

The Centre has entered into various lease arrangements for office premises, equipment, and staff accommodation, in Canada and in various countries. The total payments under such lease arrangements will be as follows:

	$
Year ending March 31	
1986	2,733,558
1987	2,048,974
1988	766,965
1989	16,300
Other	
	5,565,797

8. Contractual commitments—Project grants and project development

The Centre is committed to make payments totalling up to $79,400,000 during the next 4 years subject to funds being provided by Parliament and subject to compliance by recipients with the terms of project agreements. The Centre has also submitted formal grant offers to prospective recipients totalling $25,300,000 and is awaiting acceptance of these offers.

9. Subsequent Event

The Budget Papers tabled in the House of Commons by the Minister of Finance on May 23, 1985 provided for the recovery of $15 million from the Centre in 1985-86. The Centre is currently discussing this proposed transaction with the Canadian Government.

10. Contingencies

The Centre is a defendant in an action for damages and costs allegedly sustained by the plaintiff. Management and counsel are of the opinion that the Centre has defenses against any significant claim and accordingly no provision has been made in the financial statements in respect of this claim.

SCHEDULE OF RESEARCH AND SUPPORT EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1985

SCHEDULE 1

	1985					1984
	Development research	Research related activities	Research operational support	Contract research	Total	Total
	$	$	$	$	$	$
Programs						
Agriculture, Food and Nutrition Sciences	16,171,230	551,041	3,775,770	109,590	20,607,631	17,852,339
Social Sciences	11,392,867	792,641	3,187,609	74,800	15,447,917	14,286,766
Information Sciences	6,780,358	577,572	2,054,305		9,412,235	7,742,052
Health Sciences	6,595,751	424,162	1,884,192	75,848	8,979,953	7,308,020
Fellowship and Awards	3,868,803	134,723	666,848		4,670,374	3,631,499
Cooperative Programs	2,356,322	501,457	947,686		3,805,465	2,375,303
Program related activities						
Regional, Liaison Offices and Coordination Unit		633,699	4,553,863		5,187,562	3,965,729
Information Dissemination	359,500	1,975,358	1,500,650	48,527	3,884,035	3,274,622
Special Program Activities	1,339,093	569,012		143,229	2,051,334	1,288,851
Development Research Library		1,212,198			1,212,198	1,138,760
External Liaison and Relations	27,053	359,423	558,257	42,906	987,639	806,428
	48,890,977	7,731,286	19,129,180	494,900	76,246,343	63,670,369

SCHEDULE OF GENERAL MANAGEMENT EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1985 SCHEDULE 2

	1985	1984
	$	$
Salaries and benefits	5,448,313	4,623,727
Depreciation and amortization	692,153	358,925
Rent and accommodation	615,341	515,448
Office and sundry	473,652	490,853
Travel and relocation	457,114	414,663
Governors' meetings	246,279	171,286
Professional and special services	198,149	203,285
Telecommunications	111,792	123,850
Interest	49,671	23,924
Insurance	10,664	14,959
	8,303,128	6,940,920

NATIONAL ARTS CENTRE CORPORATION

AUDITOR'S REPORT

TO THE CHAIRMAN
BOARD OF TRUSTEES
OF THE NATIONAL ARTS CENTRE CORPORATION

I have examined the balance sheet of the National Arts Centre Corporation as at August 31, 1984 and the statements of revenue and expenses, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at August 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for capital acquisitions as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

KENNETH M. DYE, F.C.A.
Auditor General of Canada

Ottawa, Canada
November 16, 1984

BALANCE SHEET AS AT AUGUST 31, 1984

ASSETS	1984	1983
	$	$
Current		
Cash	184,995	227,757
Short-term investments	8,766,206	11,435,850
Accounts receivable (Note 4)	683,343	762,397
Inventories	438,106	417,580
Costs of programmes in progress	411,123	455,914
Prepaid expenses	262,041	382,343
	10,745,814	13,681,841
Fixed assets (Note 5)	3,367,780	1,902,252
	14,113,594	15,584,093

LIABILITIES	1984	1983
	$	$
Current		
Accounts payable and accrued liabilities (Note 6)	2,208,668	2,145,115
Deferred revenue (Note 7)	2,045,422	1,549,679
Current portion of long-term obligation	64,008	55,883
Deferred parliamentary appropriations		
Operating (Note 8)	8,652,000	8,415,700
Extraordinary building repairs (Note 9)	1,100,358	2,015,702
	14,070,456	14,182,079
Long-term obligation under capital lease (Note 10)	67,092	131,100
Provision for employee termination benefits	357,812	297,365
	424,904	428,465
	14,495,360	14,610,544
EQUITY (DEFICIENCY) OF CANADA		
(Deficit) surplus	(381,766)	973,549
	14,113,594	15,584,093

Approved by Management:

D.J.A. MACSWEEN
Director General

R. BLACKBURN
Assistant Director General
Finance and Administration

Approved by the Board of Trustees:

CLAUDE C. FRENETTE
Vice-Chairman

B. PRÉFONTAINE
Member

STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED AUGUST 31, 1984

	1984	1983
	$	$
Operating revenue		
Performing arts programmes (Schedule 1)	6,617,050	6,325,821
Restaurants (Schedule 2)	2,644,111	2,387,966
Garage (Schedule 3)	1,288,157	1,145,751
Rentals	254,543	259,531
Boutique (Schedule 7)	55,741	
Other	758,563	722,336
	11,618,165	10,841,405
Operating expenses		
Performing arts programmes (Schedule 1)		
Direct operating costs	14,130,270	13,416,632
Support services	3,176,217	2,881,910
Restaurants (Schedule 2)	2,723,395	2,438,098
Garage (Schedule 3)	442,129	364,760
Operation of the building (Schedule 4)	4,255,475	3,714,797
Administrative services (Schedule 5)	3,654,809	3,741,023
Boutique (Schedule 7)	97,939	
	28,480,234	26,557,220
Excess of operating expenses over operating revenue	16,862,069	15,715,815
Other income		
Interest on short-term investments	666,054	1,075,646
Regional municipal grant	245,000	230,000
	911,054	1,305,646
Excess of expenses over revenue	15,951,015	14,410,169

STATEMENT OF DEFICIT FOR THE YEAR ENDED AUGUST 31, 1984

	1984	1983
	$	$
(Deficit) surplus at beginning of the year		
As previously reported	(669,485)	387,994
Change in accounting policy (Note 3)		
Building, equipment and leasehold improvements	1,555,906	981,507
Land and uncompleted capital projects	115,240	90,000
Equipment and obligation under capital lease	(28,112)	(29,183)
As restated	973,549	1,430,318
Excess of expenses over revenue	(15,951,015)	(14,410,169)
	(14,977,466)	(12,979,851)
Parliamentary appropriation—Operating	14,595,700	13,953,400
(Deficit) surplus at end of the year	(381,766)	973,549

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED AUGUST 31, 1984

	1984	1983
	$	$
Source of funds		
Parliamentary appropriations		
Operating	14,595,700	13,953,400
Extraordinary building repairs	915,344	1,303,166
Interest on short-term investments and regional municipal grant	911,054	1,305,646
	16,422,098	16,562,212
Application of funds		
Excess of operating expenses over operating revenue	16,862,069	15,715,815
Item not requiring an outlay of funds		
Increase in the provision for employee termination benefits	(60,447)	(34,360)
Depreciation and amortization	(540,025)	(341,271)
Funds applied to operations	16,261,597	15,340,184
Additions to fixed assets	2,005,553	965,426
Extraordinary building repairs	915,344	1,303,166
Decrease in long-term obligation under capital lease	64,008	55,883
	19,246,502	17,664,659
Decrease in working capital	(2,824,404)	(1,102,447)
Working capital (deficiency) at beginning of the year	(500,238)	602,209
Working capital (deficiency) at end of the year	(3,324,642)	(500,238)

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 1984

1. Objectives and operations

The objectives of the Corporation are: to operate and maintain the National Arts Centre; to develop the performing arts in the National Capital Region; and to assist the Canada Council in the development of the performing arts elsewhere in Canada.

In furtherance of its objectives, the Corporation may arrange for and sponsor performing arts activities at the Centre; encourage and assist in the development of performing arts companies resident at the Centre; arrange for or sponsor radio and television broadcasts and the showing of films in the Centre; provide accommodation at the Centre, on such terms and conditions as the Corporation may fix, for national and local organizations whose objects include the development and encouragement of the performing arts in Canada; and, at the request of the Government of Canada or the Canada Council, arrange for performances elsewhere in Canada by performing arts companies, whether resident or non-resident in Canada, and arrange for performances outside Canada by performing arts companies resident in Canada.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1984—*Continued*

With a view to achieving the objectives, Her Majesty demised and leased the National Arts Centre building complex to the Corporation for a period of twenty years, expiring May 31, 1989. Under the terms of the lease, the Corporation is responsible for maintenance and operation of the building complex, but is not required to pay for the use of the complex.

2. Significant accounting policies

(a) Basis of accounting

The accounts of the Corporation are maintained on an accrual basis.

(b) Short-term investments

Short-term investments are carried at cost which approximates market value.

(c) Grants

Grants are recorded as revenue in the year in which the grantors make firm commitments to the Corporation.

(d) Costs of programmes in progress

Direct costs, including advances to performing companies and artists, incurred prior to the end of the year for programmes in progress are deferred and charged to expense in the year in which the programmes terminate. Indirect costs and common services not attributable to particular performances are charged to expense in the year in which they are incurred.

(e) Inventories

Inventories are valued at the lower of cost and net realizable value (food, beverages and boutique materials) or replacement cost (production materials).

(f) Fixed assets

Fixed assets used in the operations, other than the NAC complex, are recorded at cost. Depreciation and amortization are calculated on the straight-line method, as follows:

Building—l'Atelier	20 years
Equipment	5 and 7 years
Leasehold improvements	10 years

Gains and losses on disposals of fixed assets are credited or charged to operations.

Cost of uncompleted capital projects are transferred to the appropriate fixed asset classification upon completion, and are then depreciated or amortized according to the Corporation's policy.

Extraordinary repairs to the NAC building complex are deducted from the parliamentary appropriation received for that purpose and are not capitalized.

(g) Deferred revenue

Revenue from tickets sold prior to the end of the year for programmes in progress is deferred and credited to revenue in the year in which the programmes terminate. Gift certificates and exchange vouchers not redeemed within three years of the year of their issuance are written off and credited to revenue. A percentage of those less than three years old is also credited to revenue.

(h) Capital lease

The equipment and related obligation for capital lease are recorded at an amount equal to the present value of future lease payments. Equipment recorded under capital lease is amortized on a straight-line method using the Corporation's policy on fixed assets. Obligation under capital lease is reduced by rental payments net of imputed interest.

(i) Operating expense

Expenses of performing arts programmes do not include costs relating to building and equipment maintenance, utilities, administrative services, furniture and equipment. Expenses of restaurants, garage and boutique do not include costs relating to utilities, administrative services and building maintenance. These costs are disclosed respectively as operation of the building expenses and administrative services.

(j) Pension plan

Employees of the Corporation participate in the Public Service Superannuation plan, administered by the Government of Canada. Contributions to the plan are required by both the employees and the Corporation. These contributions represent the Corporation's total obligation and are recorded as they become due.

(k) Employee termination benefits

Employees of the Corporation are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees under the respective terms of employment.

(l) Parliamentary appropriations

The parliamentary appropriation for operations, received during the year ended August 31, is in respect of the Government of Canada's fiscal year ending on March 31 of the following year. Accordingly, as the amount received up to August 31 represents the total appropriation, $^{7}/_{12}$ths is deferred to the following year and the balance, along with the amount deferred from the previous year, is credited to the Statement of Deficit.

The parliamentary appropriation received for extraordinary building repairs is considered as deferred revenue until used. An amount equal to the repairs incurred during the year is deducted from the deferred parliamentary appropriation—Extraordinary building repairs. Should the total cost of the repairs be less than the amount received, the balance will be returned to the Consolidated Revenue Fund.

3. Change in accounting policy

During the year, the Corporation applied retroactively the following change to its accounting policy concerning the method of accounting for capital acquisitions, in order to provide a better matching of revenue and expenses:

(a) Building, equipment, leasehold improvements and equipment under capital lease, formerly charged to expenditure in the year of acquisition, are now capitalized and depreciated.

(b) Land and uncompleted capital projects, formerly charged to expenditure in the year of acquisition, are now capitalized.

As a result of these changes, the excess of expenses over revenue for the years ended August 31, 1984 and 1983 have been decreased by $1,572,672 and $600,710, respectively.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1984—*Continued*

4. Accounts receivable

	1984	1983
	$	$
Customers' accounts	510,162	513,563
Allowance for bad debts	(39,394)	(25,211)
	470,768	488,352
Grants	66,227	57,500
Accrued interest	65,392	105,757
Loans to musicians—Purchase of instruments	61,250	96,785
Other	19,706	14,003
	683,343	762,397

5. Fixed assets

	1984			1983
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Land	90,000		90,000	90,000
Building—l'Atelier	298,069	44,072	253,997	268,901
Equipment	2,482,765	986,560	1,496,205	884,360
Equipment under capital lease	302,025	190,872	111,153	158,871
Leasehold improvements	1,475,264	363,614	1,111,650	419,495
Uncompleted capital projects	304,775		304,775	80,625
	4,952,898	1,585,118	3,367,780	1,902,252

6. Accounts payable and accrued liabilities

	1984	1983
	$	$
Trade	1,207,652	1,170,166
Accrued salaries and annual leave	524,121	553,307
Payroll deductions and sales tax	460,283	373,438
Holdbacks on contracts	16,612	48,204
	2,208,668	2,145,115

7. Deferred revenue

	1984	1983
	$	$
Tickets sold prior to the end of the year for programmes in progress	1,916,309	1,418,288
Unredeemed gift certificates and other	129,113	131,391
	2,045,422	1,549,679

8. Parliamentary appropriation—Operating

	1984	1983
	$	$
Deferred from the previous year	8,415,700	7,942,100
Received during the year	14,832,000	14,427,000
Credited to the Statement of Deficit	(14,595,700)	(13,953,400)
Deferred to the following year	8,652,000	8,415,700

9. Parliamentary appropriation—Extraordinary building repairs

	1984	1983
	$	$
Deferred from the previous year	2,015,702	3,318,868
Expenses for the year	(915,344)	(1,303,166)
Deferred to the following year	1,100,358	2,015,702

10. Obligation under capital lease

The future minimum lease payments under capital lease are as follows:

Year ending August 31	$	$
1984		83,070
1985	83,070	83,070
1986	73,367	73,367
Total future minimum lease payments	156,437	239,507
Less: amount representing interest	25,337	52,524
Present value of obligation under capital lease	131,100	186,983
Less: current portion	64,008	55,883
Long-term obligation under capital lease	67,092	131,100

The capital lease was recorded at an amount equal to the present value of the minimum lease payments using an implicit lease interest rate of 16%. This obligation expires in 1986.

11. Lease commitments

As at August 31, 1984, future minimum payments under operating leases amounted to $1,148,978 and are payable as follows:

Year ending August 31	$
1985	350,956
1986	291,869
1987	294,967
1988	211,186
	1,148,978

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1984—*Concluded*

12. Related party transactions

In addition to the rental of the NAC complex, provided free of charge, the Corporation receives audit services without charge from the Office of the Auditor General of Canada.

During the year, in the normal course of business, the Corporation made payments totalling $495,000 to the Department of Public Works for utility services and $102,122 to the National Capital Commission for ground maintenance and snow removal.

13. Comparative figures

Certain figures for the year ended August 31, 1983 have been reclassified to conform to the presentation adopted for the year ended August 31, 1984.

SCHEDULE OF REVENUE AND EXPENSES—PERFORMING ARTS PROGRAMMES
FOR THE YEAR ENDED AUGUST 31, 1984

SCHEDULE 1

	Dance and Variety		Music		Theatre		Festival		Total	
	1984	1983	1984	1983	1984	1983	1984	1983	1984	1983
	$	$	$	$	$	$	$	$	$	$
Revenue										
Box office	3,142,590	3,304,000	1,123,573	848,149	1,458,078	1,213,887	342,926	490,496	6,067,167	5,856,532
Specific grants			7,800	300	2,000				9,800	300
Recovery of costs	70,948	3,658	187,015	227,555	64,740	32,939	757	70,198	323,460	334,350
Other	748		198,805	102,756	17,070	15,534		16,349	216,623	134,639
	3,214,286	3,307,658	1,517,193	1,178,760	1,541,888	1,262,360	343,683	577,043	6,617,050	6,325,821
Expenses										
Direct										
Talent, performers and musicians	2,669,679	2,472,538	3,070,451	2,511,708	1,348,440	961,410	442,300	853,080	7,530,870	6,798,736
Set, prop, sound and stage crew	609,053	429,408	283,710	221,302	1,493,308	1,805,387	127,119	470,361	2,513,190	2,926,458
Wardrobe	16				121,408	165,041	57,046	173,699	178,470	338,740
Artistic, creative and professional services	40,926	5,390	17,735	10,129	336,939	302,609	35,962	76,519	431,562	394,647
Theatre and other production	155,362	113,450	97,893	99,715	211,634	198,760	34,916	54,040	499,805	465,965
	3,475,036	3,020,786	3,469,789	2,842,854	3,511,729	3,433,207	697,343	1,627,699	11,153,897	10,924,546
Advertising										
Performances	504,851	249,530	212,032	95,849	295,592	206,559	41,042	163,230	1,053,517	715,168
Subscriptions	43,829	54,965	216,832	179,598	189,609	148,896			450,270	383,459
	548,680	304,495	428,864	275,447	485,201	355,455	41,042	163,230	1,503,787	1,098,627
Administration (Schedule 6)	323,400	193,499	373,699	359,254	682,062	688,393	93,425	152,313	1,472,586	1,393,459
Direct operating costs	4,347,116	3,518,780	4,272,352	3,477,555	4,678,992	4,477,055	831,810	1,943,242	14,130,270	13,416,632
Excess of expenses over revenue before unallocated costs	1,132,830	211,122	2,755,159	2,298,795	3,137,104	3,214,695	488,127	1,366,199	7,513,220	7,090,811
Support services (Schedule 6)									3,176,217	2,881,910
Excess of expenses over revenue									10,689,437	9,972,721

SCHEDULE OF REVENUE AND EXPENSES—
RESTAURANTS
FOR THE YEAR ENDED AUGUST 31, 1984 SCHEDULE 2

	1984	1983
	$	$
Revenue		
Food	1,473,339	1,307,663
Beverages	1,150,710	1,049,300
Other	20,062	31,003
	2,644,111	2,387,966
Expenses		
Cost of sales		
Food	610,933	529,355
Beverages	378,787	336,988
	989,720	866,343
Gross margin	1,654,391	1,521,623
General and administration		
Salaries, wages and employee benefits	1,331,419	1,243,223
Supplies and equipment rental	199,495	158,198
Depreciation and amortization	52,599	15,707
Repairs and maintenance	35,545	19,589
Furniture and equipment	29,559	41,177
Music and entertainment	21,252	37,697
Credit cards commission	21,096	19,285
Advertising and promotion	18,814	15,067
Professional services	6,558	415
Travel	3,016	7,859
Other	14,322	13,538
	1,733,675	1,571,755
Total expenses	2,723,395	2,438,098
Excess of expenses over revenue	79,284	50,132

SCHEDULE OF REVENUE AND EXPENSES—
GARAGE
FOR THE YEAR ENDED AUGUST 31, 1984 SCHEDULE 3

	1984	1983
	$	$
Revenue		
Parking	1,284,320	1,143,783
Other	3,837	1,968
	1,288,157	1,145,751
Expenses		
Salaries, wages and employee benefits	353,717	331,360
Repairs and maintenance	43,818	6,981
Supplies	25,416	15,274
Advertising	7,714	262
Depreciation and amortization	5,055	5,055
Furniture and equipment	4,594	3,327
Other	1,815	2,501
	442,129	364,760
Excess of revenue over expenses	846,028	780,991

SCHEDULE OF EXPENSES—
OPERATION OF THE BUILDING
FOR THE YEAR ENDED AUGUST 31, 1984 SCHEDULE 4

	1984	1983
	$	$
Salaries, wages and employee benefits	1,596,799	1,490,928
Utilities	970,970	749,818
Repairs and maintenance to buildings and equipment	923,136	812,453
Depreciation and amortization	480,721	320,509
Professional services and expenses	129,134	92,138
Furniture and equipment	99,762	191,864
Laundry and dry cleaning	18,513	18,663
Uniforms	12,117	2,743
Travel and duty entertainment	6,547	13,027
Office expenses	3,930	2,706
Other	13,846	19,948
	4,255,475	3,714,797

SCHEDULE OF EXPENSES—
ADMINISTRATIVE SERVICES
FOR THE YEAR ENDED AUGUST 31, 1984 SCHEDULE 5

	1984	1983
	$	$
Salaries, wages and employee benefits	2,534,668	2,457,375
Office expenses	308,834	301,040
Telecommunications	209,913	367,963
Office rent	152,435	96,463
Advertising and promotion	97,118	138,285
Insurance	71,884	68,597
Professional services and expenses	70,116	73,518
Trustees' fees and expenses	64,391	100,668
Travel and duty entertainment	54,485	68,187
Training	26,439	27,075
Repairs and maintenance	19,198	11,901
Other	45,328	29,951
	3,654,809	3,741,023

SCHEDULE OF EXPENSES—
PERFORMING ARTS PROGRAMMES—
ADMINISTRATION AND SUPPORT SERVICES
FOR THE YEAR ENDED AUGUST 31, 1984 SCHEDULE 6

	Administration		Support services	
	1984	1983	1984	1983
	$	$	$	$
Salaries, wages and employee benefits	1,280,888	1,219,909	2,027,075	1,788,103
Travel and duty entertainment	123,399	107,597	36,907	57,046
Bad debt	19,327	900		
Office expenses	17,459	14,758	283,994	210,780
Professional services and expenses	10,422	27,195	73,647	65,777
Advertising and promotion			430,339	425,390
Warehouse rent			132,202	127,385
Commissions and service charges			98,691	120,095
Interest on obligation under capital lease			27,187	34,281
Other	21,091	23,100	66,175	53,053
	1,472,586	1,393,459	3,176,217	2,881,910

SCHEDULE OF REVENUE AND EXPENSES—
BOUTIQUE
FOR THE TEN MONTHS ENDED
AUGUST 31, 1984

SCHEDULE 7

	1984	1983
	$	$
Revenue		
Sales	55,741	
Expenses		
Cost of sales	34,616	
Gross margin	21,125	
General and administration		
Salaries, wages and employee benefits	44,117	
Furniture and equipment	9,729	
Supplies and equipment rental	3,846	
Travel	1,716	
Amortization	1,650	
Other	2,265	
	63,323	
Total expenses	97,939	
Excess of expenses over revenue	42,198	

PART II

CROWN CORPORATIONS AND OTHER CORPORATE INTERESTS

1. INTRODUCTION TO PART II

This Part responds to the provision in the *Financial Administration Act*, paragraph 153(3)(a) that the Report of the President "shall include a list naming, as of a specified date, all Crown corporations and all corporations of which any shares are held by, on behalf of or in trust for the Crown or any Crown corporation."

The information represents the status of Crown corporations and other Canadian government interests as at July 31, 1985, unless otherwise noted.

The individual lists are:

parent Crown corporations and their subsidiaries and associates. These are grouped as:

— **Subsidiaries held at 100%**, if wholly-owned,

— **Subsidiaries held at 50-99%**, if 50 per cent or more of the equity is held by a Crown corporation, or,

— **Associates held at less than 50%** if less than 50 per cent is held.

(Generally, subsidiaries of subsidiaries are listed only to a second ownership level below the 100% owned category);

Joint Enterprises are those owned by Canada jointly with another government, whether foreign, provincial or municipal;

Mixed Enterprises are those in which ownership is shared by Canada and the private sector;

Other Entities are entities without share capital, for which the Government of Canada, directly or through a Crown corporation, has a right pursuant to statute, articles of incorporation, letters patent or by-law, to appoint one or more members of the board of directors or similar governing body.

International Organizations are entities created pursuant to international agreements by which Canada has a right to appoint or elect members to a governing body.

A statistical summary of the number of entities in each of the lists is presented on the next page.

The reader should note that the descriptions of corporate mandates appearing in this Part are intended to convey the essence of those mandates. They are not legal descriptions. Similarly, the description of the government's objective in making investments in these corporations is meant only as a summarization. For further information, the reader is referred to the special Acts, articles of incorporation, or annual reports of the corporations. The government percentage ownership data displayed are based on the number of voting shares.

2. STATISTICAL SUMMARY

July 31, 1985

Crown Corporations

Parent Crown corporations including seven corporations which are exempted from Part XII of the FAA	59*
Wholly-owned subsidiaries	134
TOTAL	193

Crown Corporations' Investments (direct and indirect)

Subsidiaries held at 50% or more but less than 100%	38
Associates held at less than 50%	96
TOTAL	134

Joint and Mixed Enterprises

TOTAL	25

Other Entities

Entities without share capital	38

International Organizations

Entities created pursuant to international agreement	13

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* Includes:

— in process of dissolution	1
— dissolved but not descheduled	5
	6

3. THE LISTINGS

3.1. PARENT CROWN CORPORATIONS, WHOLLY-OWNED SUBSIDIARIES, OTHER SUBSIDIARIES AND ASSOCIATES

Notes

1. For corporations scheduled in the *Financial Administration Act* (FAA), the relevant schedule is shown in parentheses immediately following the corporation's name.

2. Under the FAA, a subsidiary is a Crown corporation if it is wholly-owned directly or indirectly by one or more parent Crown corporations.

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1. Air Canada (C-II)
    - Subsidiaries held at 100%
        - Air Canada Services Inc.
        - Enroute Card Inc.
        - Airtransit Canada
        - Touram Inc.
            - Touram Group Service Inc.
    - Subsidiaries held at 50-99%
        - Matac Cargo Ltd. (50%)
    - Associates held at less than 50%
        - Aeronautical Radio, Inc. (1.0%)
        - Air Cargo Facilities (2.5%)
        - Airlines Clearing House Inc. (1.00%)
        - Airlines Reporting Corporation (1.0%)
        - Airline Tariff Publishing Co. (6.69%)
        - Global Travel Computer Holdings Ltd. (21.1%)
        - GPA Group Limited (22.68%)
            - Air Maple Limited
            - Air Tara Limited
            - Aviation Consultants Limited
            - Elasis B.V.
            - GPA Corporation
            - GPA (Europe) Limited
            - GPA Financial Services Limited
            - GPA Insurance Brokers Limited
            - GPA Leasing (NA) NV
            - GPA Midland Ltd. (51%)
            - GPA Spacecon Limited
            - Guinness Peat Aviation Asia Limited
            - Guinness Peat Western Limited
            - Irish Aerospace Limited
            - TAI Limited
            - TAI Incorporated
        - Innotech Aviation Ltd. (30%)
            - Cross Canada Flights Ltd. (49%)
            - Innotech Aviation Nfld. Ltd. (49%)
        - International Aeradio (Caribbean) Limited (1%)
        - Société internationale de télécommunications aéronautiques (0.78%)

2. Atlantic Pilotage Authority (C-I)

3. Atomic Energy of Canada Limited (C-I)

4. Bank of Canada (Exempted)

5. Canada Council (Exempted)

6. Canada Deposit Insurance Corporation (C-I)

7. Canada Development Investment Corporation (C-II)

    Subsidiaries held at 100%
        Canadair Financial Corporation
        Canadair Limited
            Canadair Inc.
            Canadair International Limited
            Canadair Services Limited
            Canadian General Atomic Corporation Limited
            Canarch Limited
            Challenger Aviation Service GmbH
        The de Havilland Aircraft of Canada, Limited
            de Havilland Canada, Inc.
        Eldorado Nuclear Limited
            Eldorado MPI Limited
            Eldorado Aviation Limited
            Eldorado Resources Limited
            119371 Canada Limited
                Eldor Resources Limited
                Key Lake Mining Corp. (16.6%)

8. Canada Harbour Place Corporation (C-I)

9. Canada Lands Company Limited (C-I)

    Subsidiaries held at 100%
        Canada Lands Company (Mirabel) Limited
        Canada Lands Company (Le Vieux-Port de Montréal) Limited
        Canada Lands Company (Vieux-Port de Québec) Inc.

10. Canada Mortgage and Housing Corporation (C-I)

11. Canada Museums Construction Corporation Inc. (C-I)

12. Canada Ports Corporation (C-II)

    Subsidiary held at 50-99%
        Ridley Terminals Inc. (90%)

13. Canada Post Corporation (C-I)

14. Canadian Arsenals Limited (C-I)

15. Canadian Broadcasting Corporation (Exempted)

    Associates held at less than 50%
        Master FM Limited (20%)
        Visnews Limited (33%)
            News Film Services Limited
            British Commonwealth International Newsfilm Agency Limited
            Viscom International (USA) Limited

16. Canadian Commercial Corporation (C-I)

17. Canadian Dairy Commission (C-I)

18. Canadian Film Development Corporation (Exempted)

19. Canadian Institute for International Peace and Security (C-I)

20. Canadian Livestock Feed Board (C-I)

21. Canadian National Railway Company (C-II)
    - Subsidiaries held at 100%
        - Autoport Limited
        - The Canada and Gulf Terminal Railway Company
        - Canadian National Express Company
        - The Canadian National Railways Securities Trust
        - Canadian National Steamship Company, Limited
        - Canadian National Telegraph Company
        - The Great North Western Telegraph Company of Canada (94.54%)
        - Canadian National Transfer Company Limited
        - Canadian National Transportation, Limited
            - Chapman Transport Limited
            - Empire Freightways Limited
            - Royal Transportation Limited
            - Transport Route Canada Inc.
                - Chalut Transport (1974) Inc.
                - Les Entreprises Bussières Ltée (50%)
        - Canat Limited
        - CN (France) S.A.
        - CNM Inc.
            - Coastal Transport Limited
            - Halifax Industries (Holdings) Limited (33.3%)
            - Lakespan Marine Inc. (50%)
            - Seabase Limited (15%)
        - CN Marine Inc.
        - CN Tower Limited
        - CN Transactions Inc.
            - Canac Consultants Limited
            - Canadian National Hotels (Moncton) Ltd.
            - Canaprev Inc. (50%)
            - Canaven Limited
            - CN Exploration Inc.
            - CN Hotels Inc.
            - East Yard Development Ltd. (50%)
            - The Toronto Terminals Railway Company (50%)
        - Grand Trunk Corporation
            - Central Vermont Railway, Inc.
                - Domestic Four Leasing Corporation
            - Domestic Three Leasing Corporation
            - Domestic Two Leasing Corporation
            - Duluth, Winnipeg and Pacific Railway Company
            - Grand Trunk Land Development Corporation
            - Grand Trunk Radio Communications, Inc.

Grand Trunk Western Railroad Company
The Belt Railway Company of Chicago (8.33%)
Chicago and Western Indiana Railroad Company (20%)
Trailer Train Company (2.63%)
The Minnesota and Manitoba Railroad Company
The Minnesota and Ontario Bridge Company
Mount Royal Tunnel and Terminal Company, Limited
Northwestel Inc.
Terra Nova Telecommunications Inc.

Subsidiaries held at 50-99%
The Canada Southern Railway Company (50%)
The Canadian Northern Quebec Railway Company (59.7%)
Detroit River Tunnel Company (50%)
EID Electronic Identification Systems Ltd. (50%)
The Northern Consolidated Holding Company Limited (71.9%)
The Public Markets, Limited (50%)
The Quebec and Lake St. John Railway Company (89.1%)
Shawinigan Terminal Railway Company (50%)

Associates held at less than 50%
Compagnie de gestion de Matane Inc. (49.0%)
Computer Sciences Canada, Ltd. (7.87%)
Eurocanadian Shipholdings Limited (18%)
Fort Point Holdings Ltd. (25%)
Halterm Limited (33.3%)
Intercast S.A. (18%)
OCRA Communications Inc. (5.51%)
Telesat Canada (3.75%)

22. Canadian National (West Indies) Steamships, Ltd. (C-I)*

23. Canadian Patents and Development Limited (C-I)

24. Canadian Saltfish Corporation (C-I)

25. Canadian Wheat Board (Exempted)

26. Canagrex (C-I)*

27. Cape Breton Development Corporation (C-I)

Subsidiaries held at 100%
Cape Breton Carbofuels Limited
Darr (Cape Breton) Limited
Dundee Estates Limited

Subsidiaries held at 50-99%
Whale Cove Summer Village Limited (62.5%)

Associates held at less than 50%
Bay Lumber Limited (7%)
Cape Breton Offshore Fabricators Limited (33 1/3%)
Eastern Carbide Tools Limited (1%)
Haak Conveyor & Manufacturing Limited (42%)
Newco Mining Limited (10%)
Sun Mountain Development Limited (Cape Breton Ski-Club) (4%)
4 M Panga Hotel Co. Limited (45%)

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* In process of dissolution

28. Defence Construction (1951) Limited (C-I)

29. Export Development Corporation (C-I)

30. Farm Credit Corporation (C-I)

31. Federal Business Development Bank (C-I)

32. Freshwater Fish Marketing Corporation (C-I)

33. Great Lakes Pilotage Authority, Ltd. (C-I)

34. Halifax Port Corporation (C-II)

35. Harbourfront Corporation (C-I)

    Subsidiaries held at 100%
        Harbourpoint

    Subsidiaries held at 50-99%
        Harbourfront Developments (Harbourfront) Limited

    Subsidiaries without share capital
        Art Gallery at Harbourfront
        School-By-the-Water

36. International Centre for Ocean Development (C-I)

37. The International Development Research Centre (Exempted)

38. Laurentian Pilotage Authority (C-I)

39. Loto Canada Inc. (C-I)*

40. Mingan Associates, Ltd. (C-I) (Inactive)

41. Montreal Port Corporation (C-II)

42. National Arts Centre Corporation (Exempted)

43. National Capital Commission (C-I)

44. Northern Canada Power Commission (C-I)

45. Pacific Pilotage Authority (C-I)

46. Pêcheries Canada Inc. (C-I)

    Subsidiaries held at 50-99%
    Pêcheries Cartier Inc. (87%)
        Chantier Maritime de Gaspé
        Pêcheries Atlantiques du Québec Inc. (75%)

47. Petro-Canada (C-II)

    Subsidiaries held at 100%
        Bent Horn Development Inc.
        Canertech Inc.
            Hunter Enterprises Orillia Limited (60.0%)
            Sparfil International Inc. (49.0%)

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* Dissolved but not descheduled

    - Trecan Limited (51.0%)
    - Valera Electronics Inc. (11.3%)
    - Canertech Conservation Inc.
        - Canertech Conservation (N.B. - P.E.I.) Inc. (81.6%)
        - Canertech Conservation (N.S.) Inc. (80.0%)
        - Canertech Conservation (Ontario) Inc. (88.9%)
    - 107744 Canada Inc.
- Petro-Canada Consulting Corporation
- Petro-Canada International Assistance Corporation
- Petro-Canada Inc.
    - Arctic Islands Resources Ltd.
    - Arctic Pilot Project Inc.
    - Asher American, Inc.
    - Big Eagle Oil & Gas Ltd.
        - Aquilla Holdings Ltd.
    - Blakeny & Son (1979) Ltd.
    - Fifth Pacific Stations Ltd.
    - GMI Co. (Bahamas) Limited
    - Independent Fuels & Lumber Ltd.
    - Joseph Elie Limited
    - Opal Oils Limited
        - Commodore Oils Limited
            - First Pacific Stations Ltd.
            - Second Pacific Stations Ltd.
            - Third Pacific Stations Ltd.
            - Fourth Pacific Stations Ltd.
    - Pacific Petrochemicals Limited*
    - Pacific Petroleums Limited*
    - Pacific Petroleums (Overseas) Limited
    - Pacific Pipelines, Inc.
    - Petro-Canada Chemicals Inc.
    - Petro-Canada Drilling Inc.
    - Petro-Canada Enterprises Inc.*
    - Petro-Canada Espanola, S.A.
    - Petro-Canada Norway A/S
    - Petro-Canada Oil & Gas Inc.
    - Petro-Canada Petroleum Marketing Inc.
    - Petro-Canada Petroleum Inc.*
    - Petro-Canada Resources Inc.
        - Petro-Canada Products Inc.
            - BP Home Comfort Limited
            - BP Marketing Canada Limited
            - Depanneurs Le Frigo Ltée.
            - Chatelaine Restaurants Limited
            - L.M. Petroleum Inc.
            - Saint Laurent Petroleum Inc.
    - Petro-Canada (U.K.) Limited
    - Petroleum Transmission Company
    - Petron Petroleum Limited
    - Prairie Leaseholds Limited
    - Prairie Minerals Limited
    - Rocair Limited
    - Tri-Mountain Petroleums Ltd.
    - Value Serve Stations Limited
    - Venezuelan Canadian Oils, C.A.

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*In process of dissolution

Venezuelan Pacific Petroleums, C.A.
Xychem Inc.
103912 Canada Inc.
106616 Canada Inc.
106617 Canada Inc.
106618 Canada Inc.
106619 Canada Inc.
106620 Canada Inc.
106621 Canada Inc.
123627 Canada Inc.

Subsidiaries held at 50-99%
Cal-Jet Holdings Limited (50%)
Canstar Oils Sands Ltd. (50%)
Keyanaw Oils Sands Limited (50%)
Les Huiles Du Royaume Inc. (50%)
Marchand Petroleum (Canada) Inc. (50%)
Panarctic Oils Ltd. (52.73%)
Petro-Canada Centre Finance Inc. (50%)
Petro-Canada Centre Inc. (50%)
Sedpex Inc. (50%)
Viatec Resource Systems, Inc. (50%)
Wapisoo Oils Sands Ltd. (50%)
288564 Alberta Ltd. (50%)

Subsidiaries held at less than 50%
Ducharme & Carbone (1981) Inc. (43.8%)
Harvey's Oil Limited (49.9%)
Internationale de Services Industriels et Scientifique, S.A. (27%)
Les Huiles Desroches Inc. (45%)
Les Petroles Sherbrooke Inc. (47%)
McAsphalte Inc. (49%)
Marc Dufresne (1978) Inc. (49.99%)
Northward Development Ltd. (17%)
Perry Fuels Inc. (49%)
Petroles de la Mauricie (Canada) Inc. (49.99%)
Petroles M. Miron Inc. (49.9%)
Petroles St. Jean Sur Richelieu Inc. (49%)
Roma Fuels Limited (49%)
Sulconam Inc. (7.6%)
Syncrude Canada Ltd. (17%)
Thermo Page Inc. (49.9%)
Town & Country Fuels (1980) Inc. (49%)
Westcoast Transmission Company Ltd. (31.2%)
113989 Canada Ltd. (49.9%)
128963 Canada Inc. (49%)
139741 Canada Ltée. (49%)

Subsidiaries held at less than 5%
Campbell Resources Inc.
Cheyenne Petroleum Corp. (NPL)
Cynthia Gas Gathering Company
International Standard Resources Ltd.
Manhattan Continental Dev. Corp.
Mascot Gold Mines Ltd.
New Nadina Explorations Ltd.

Nova, An Alberta Corporation
Pacific Energy Resources Ltd.
Pacific Northern Gas
Peace Pipe Line Ltd.
Petrogas Processing Ltd.
Polar Gas Engineering Services Ltd.
Redwater Water Disposal Co.
Riley's Data Share
Rimbey Pipe Line Co. Ltd.
Sultran Ltd.
Wardean Drilling Co. Limited
204383 Enterprises Inc.

48. Port of Quebec Corporation (C-II)

49. Prince Rupert Port Corporation (C-II)

50. Royal Canadian Mint (C-I)

51. Societa a responsibilita limitata Immobiliare San Sebastiano (C-I)*

52. Standards Council of Canada (C-I)

53. St. Anthony Fisheries Limited (C-I)*

54. St. John's Port Corporation (Unscheduled)

55. The St. Lawrence Seaway Authority (C-I)
    Subsidiaries held at 100%
        The Jacques Cartier and Champlain Bridges Incorporated
        The Seaway International Bridge Corporation, Ltd.

56. Teleglobe Canada (C-II)
    Subsidiaries held at 100%
        Teleglobe Canada Limited

57. Uranium Canada, Limited (C-I)*

58. Vancouver Port Corporation (C-II)

59. VIA Rail Canada Inc. (C-I)

3.2 JOINT AND MIXED ENTERPRISES

These are enterprises with share capital owned jointly with other governments and/or other organizations to further common objectives.

Note: Subsidiaries and associates are not listed.

1. Canada Development Corporation

2. Canarctic Shipping Company Limited

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* In process of dissolution

3. Cooperative Energy Corporation

4. Lower Churchill Development Corporation Limited

5. Mohawk St. Régis Lacrosse Ltd. (inactive)

6. Nanisivik Mines Limited

7. National Sea Products Ltd.

8. Newfoundland and Labrador Development Corporation Limited

9. North Portage Development Corporation

10. N.S. Holdco Ltd.

11. Société Inter-Port de Québec

12. Telesat Canada

13. 125459 Canada Ltd.

Under terms of the *Bankruptcy Act*, the Superintendent of Bankruptcy has received shares in the following corporations:

14. Prestige Poultry Products Ltd.

15. Mount Nansen Mines Ltd.

16. Geoform Designs Inc.

17. Captain Scotts Fish & Chips (1978) Ltd.

18. Romfield Building Corporation Ltd.

19. Sixpro Inc.

20. International Hydrodynamics Co. Ltd.

21. Wilanour Resources Ltd.

22. Blake Resources

23. Totran Services Ltd.

24. House of Brougham Ltd.

25. Equity Capital Investments Ltd.

3.3 OTHER ENTITIES

These are entities without share capital for which the Government of Canada has a right to appoint members to the boards of directors or similar governing bodies.

1. Agricultural Products Board

2. Asia-Pacific Foundation of Canada

3. The Army Benevolent Fund
4. Association for the Export of Canadian Books
5. The Blue Water Bridge Authority
6. Board of Trustees of the Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children
7. Buffalo and Fort Erie Public Bridge Authority
8. Calgary Olympic Development Association
9. Canada Fitness Survey (99488 Canada Inc.)
10. Canada Grains Council
11. The Canadian Co-operative Implements Limited
12. Canadian International Grains Institute
13. Coaching Association of Canada
14. Footwear and Leather Institute of Canada
15. Forest Engineering Research Institute of Canada

Harbour Commissions

  16. Fraser River Harbour Commission
  17. The Hamilton Harbour Commissioners
  18. Thunder Bay Harbour Commission
  19. Nanaimo Harbour Commission
  20. North Fraser Harbour Commission
  21. Oshawa Harbour Commission
  22. Port Alberni Harbour Commission
  23. The Toronto Harbour Commissioners
  24. Windsor Harbour Commission

25. Hockey Canada Inc.
26. International Fisheries Commissions Pension Society
27. Last Post Fund
28. Medical Council of Canada
29. The Nature Trust of British Columbia
30. National Sport and Recreation Centre, Inc.

31. Oo-Za-We-Kwun Centre Inc. (inactive)

32. PARTICIPaction (Sport Participation Corporation)

33. POS Pilot Plant Corporation

34. Roosevelt Campobello International Park Commission

35. Saint John Harbour Bridge Authority

36. Terry Fox Humanitarian Award Inc.

37. The Vanier Institute of the Family

38. Western Grains Research Foundation

3.4 INTERNATIONAL ORGANIZATIONS

Entities created pursuant to international agreements where Canada has a right to appoint or elect members to a governing body.

1. African Development Bank

2. African Development Fund

3. Asian Development Bank

4. Caribbean Development Bank

5. Commonwealth War Graves Commission

6. Inter American Development Bank

7. International Bank for Reconstruction and Development

8. International Boundary Commission

9. International Development Association

10. International Finance Corporation

11. International Fund for Agricultural Development

12. International Joint Commission

13. International Monetary Fund

Additions/Deletions to Part II Listings
December 31, 1984 — July 31, 1985

Name	Change	Notes
1. Aerocet Investment Company	Deleted	Air Canada
2. Airline Maintenance Buildings Limited	Deleted	Air Canada
3. Airlines Reporting Corporation	Added	Air Canada
4. Asia-Pacific Foundation of Canada	Added	Created June 14, 1984
5. Avion Investment Company	Deleted	Air Canada
6. Bent Horn Development Inc.	Added	Petro-Canada
7. Buffalo and Fort Erie Public Bridge Authority	Added	Omitted from previous listing
8. Calgary Olympic Development Association	Added	Created 1979 - omitted from previous lising
9. Canadian Sports Pool Corporation	Deleted	Dissolved
10. Cape Breton Carbofuels Limited	Added	Cape Breton Development Corporation
11. Detroit River Tunnel Company	Added	Canadian National Railway Company
12. Elasis B.V.	Added	Air Canada
13. Enroute Card Inc.	Added	Air Canada
14. Global Travel Communications Inc.	Deleted	Air Canada
15. GPA Financial Services Limited	Added	Air Canada
16. GPA Insurance Brokers Limited	Added	Air Canada
17. GPA Leasing (NA) NV	Added	Air Canada
18. GPA Spacecon Limited	Added	Air Canada
19. Grimshaw Trucking and Distributing Ltd.	Deleted	Subsidiary of Northern Transportation Company Limited (Sold)
20. GPM (Cayman) Limited	Deleted	Air Canada
21. Guillemot Limited	Deleted	Air Canada
22. Guiness Peat Aviation Asia Limited	Added	Air Canada
23. Guiness Peat Western Limited	Added	Air Canada
24. Harbourpoint	Added	Harbourfront Corporation
25. Irish Aerospace Limited	Added	Air Canada

26. Mechron Energy Ltd.	Deleted	Canertech
27. National Sea Products Ltd.	Added	Jointly held with N.S. Holdco Ltd.
28. Northern Transportation Company Limited	Deleted	Sold
29. Nortran Offshore Limited	Deleted	Subsidiary of Northern Transportation Company Limited*
30. Petro-Canada Petroleum Marketing Inc.	Added	Petro-Canada
31. St. John's Port Corporation	Added	Newly incorporated
32. The Canada Southern Railway Company	Added	Canadian National Railway Company
33. Transport Husband (Québec) Inc.	Deleted	Canadian National Railway Company

* Sold

4. CORPORATE INFORMATION

4.1 Joint (J) and Mixed (M) Enterprises—Corporations with Share Capital Owned Jointly with other Governments and/or other Organizations

Name of Corporation	Type	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal* Ownership Percentage
Canada Development Corporation	M	Suite 200 444 Yonge Street Toronto, Ontario M5B 2H4	Regional Industrial Expansion	1971, Canada Development Corporation Act	December 31	Thorne Riddell & Co.	To develop and maintain strong Canadian controlled and managed corporations in the private sector; to widen the investment opportunities open to Canadians; to operate profitably and in the best interest of all the shareholders.	47.2%
Canarctic Shipping Company Limited	M	350 Sparks Street Suite 809 Ottawa, Ontario K1R 7S8	Transport	1975, Canada Corporations Act	December 31	Coopers & Lybrand	To acquire, sell, lease, charter and otherwise deal in and with ships of every description, and to do all other things necessary or incidental thereto.	51%
Cooperative Energy Corporation	M	2000 Trans Canada Pipelines Tower 530-8 Avenue S.W. Calgary, Alta. T2P 3S8	Energy, Mines and Resources	1982, Cooperative Energy Act	December 31	Touche, Ross & Co.	To operate an energy corporation whose primary activity is to explore and develop new Canadian oil and gas resources./To bring together a number of co-operative financial, agricultural, service and marketing institutions to participate in the Canadian oil and gas industry.	25%
Lower Churchill Development Corporation Limited	J	P.O. Box 9100 St. John's, Nfld. A1A 2X8	Energy, Mines and Resources	1978, Companies Act of Nfld.	December 31	Clarkson Gordon & Co.	To establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the transmission of this energy to markets.	49%
Mohawk St. Régis Lacrosse Ltd.	M	c/o Honeywell, Wotherspoon 500-90 Sparks Street Ottawa, Ontario K1P 5B4	Indian Affairs and Northern Development	1975, Business Corporations Act of Ontario	August 31	(inactive)	To acquire assets of an insolvent lacrosse stick manufacturing company located on St. Régis Reserve, Cornwall Island.	(inactive)
Nanisivik Mines Limited	M	Suite 401 44 Victoria Street Toronto, Ontario M5C 1Y2	Indian Affairs and Northern Development	1974, Companies Act of Alberta	March 31	Touche, Ross & Co.	To test the feasibility of mining lead and zinc in the Canadian Arctic, providing jobs for the Inuit and to have a Canadian presence in the Arctic.	18%
National Sea Products Ltd.	M	1959 Upper Water St. Halifax, N.S. B3J 3B7	Regional Industrial Expansion	1953, Nova Scotia Companies Act	December 31	Clarkson, Gordon & Co.	The processing and marketing of fish, seafoods and fish by-products./ Restructuring the Atlantic fisheries.	20%

* Federal Percentage of Ownership Calculation is based on number of votes.

Name of Corporation	Type	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
Newfoundland and Labrador Development Corporation Limited	J	136 Crosbie Road Viking Building St. John's, Nfld. A1B 3K3	Regional Industrial Expansion	1973, Newfoundland Companies Act	March 31	Coopers & Lybrand	To assist small- and medium-sized businesses in Newfoundland and Labrador through loan and equity financing, management advisory services, and other related services.	40%
North Portage Development Corporation	J	433 Portage Aven. Winnipeg, Man. R3B 2E1	Regional Industrial Expansion	The 1983 Manitoba Corporations Act	March 31	Coopers & Lybrand	To foster the social and economic development of the North Portage area in the core area of Winnipeg./Under the Special Recovery Capital Projects Program, stimulating economic recovery in Canada and Manitoba.	33.3%
N.S. Holdco Ltd.	M	c/o Cox, Downie Goodfellow 800 Barrington Tower Scotia Square Halifax, N.S. B3J 3E1	Regional Industrial Expansion	Canada Business Corporations Act, continued 1983, under the Nova Scotia Companies Act	December 31	Ernst & Whinney	Holds shares in National Sea Products Ltd./Restructuring the Atlantic fisheries.	31%
Société Inter-Port de Québec	J	Suite 802 1126, chemin St-Louis Place Sillery Sillery, Quebec G1S 1E5	Regional Industrial Expansion	1974, Special Act of the Government of Quebec	March 31	Poissant Richard, Thorne Riddell & Co.	To develop and implement plans and programs for an industrial complex, using the infrastructure of the Quebec harbour, and contributing to the development of that same infrastructure.	40%
Telesat Canada	M	333 River Road Vanier, Ontario K1L 8B9	Communications	1969, Telesat Canada Act	December 31	Peat, Marwick, Mitchell & Co.	To establish multi-purpose satellite telecommunication systems.	50%
125459 Canada Ltd.	M	c/o Cox, Downie Goodfellow 800 Barrington Tower Scotia Square Halifax, N.S. B3J 3E1	Regional Industrial Expansion	Canada Business Corporations Act	December 31	Ernst & Whinney	Holds shares in Fishery Products International Ltd./Restructuring the Atlantic fisheries.	62.6%

Under terms of the *Bankruptcy Act*, the Superintendent of Bankruptcy has received shares in the following corporations in lieu of a cash levy payable to the Crown:

Prestige Poultry Products Ltd.
Mount Nansen Mines Ltd.
Geoform Designs Inc.
Captain Scotts Fish & Chips (1978) Ltd.
Romfield Building Corporation Ltd.
Sixpro Inc.
International Hydrodynamics Co. Ltd.
Wilanour Resources Ltd.
Blake Resources
Totran Services Ltd.
House of Brougham Ltd.
Equity Capital Investments Ltd.

4.2 Other Entities—Entities Without Share Capital for which the Government of Canada has a right to appoint Members to the Boards of Directors

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
Agricultural Products Board	Room 775 Sir John Carling Bldg. Ottawa, Ontario K1A 0C5	Agriculture	1951, Agricultural Products Board Act	March 31	Auditor General of Canada	To buy, sell or import agricultural products. It may purchase and hold commodities for later sale, emergency relief in Canada or assistance programs abroad.	N/A
Asia-Pacific Foundation of Canada	Suite 990, 1140 West Pender Vancouver, B.C. V6E 4G1	Secretary of State for External	1984, An Act to incorporate Asia-Pacific Foundation of Canada	June 30	Coopers and Lybrand	To develop closer ties between the peoples and institutions of Canada and the peoples and institutions of the Asia-Pacific region.	N/A
The Army Benevolent Fund	Veterans Affairs Bldg. 284 Wellington St. Ottawa, Ontario K1A 0P4	Veterans Affairs	1947, Army Benevolent Fund Act	March 31	Auditor General of Canada	To provide grants and other financial assistance to Second World War veterans, or their dependants./Profits from services operated for the benefit of the Canadian Army during the war were allocated to the Army Benevolent Fund for disbursement.	N/A
Association for the Export of Canadian Books	P.O. Box 349 Station "A" Ottawa, Ontario K1N 8Z3	Communications	1972, Canada Corporations Act	March 31	Robert B. Shortly	To assist in expanding the export of Canadian published books.	N/A
The Blue Water Bridge Authority	Bridge Street Point Edward, Ontario N7T 7H7	Transport	1964, Blue Water Bridge Authority Act	August 31	William J. Hipple	To hold, operate, maintain and repair the Canadian portion of the Blue Water Bridge which links Point Edward, Ontario, and Port Huron, Michigan, USA, across the St. Clair River.	N/A
Board of Trustees of the Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children	Queen Elizabeth II Canadian Research Fund Jeanne Mance Bldg Tunney's Pasture Ottawa, Ontario K1A 0W9	National Health and Welfare[1]	1959, Queen Elizabeth II Canadian Research Fund Act	March 31	Auditor General of Canada	The furthering of research into the diseases of children and the prevention and cure of such diseases.	N/A
Buffalo and Fort Erie Public Bridge Authority	The Peace Bridge Peace Bridge Plaza, Buffalo, N.Y. 14213 U.S.A.	Finance	1934, An Act to incorporate Buffalo and Fort Erie Public Bridge Company	December 31	Arthur Young & Co.	To construct, maintain and operate a bridge across the Niagara River between Buffalo, New York and Fort Erie, Ontario	N/A

1 The directors of the Board are "appointed by Her Majesty by Commission under the Great Seal".

2 Two directors appointed by the Minister of State, Fitness and Amateur Sport by authority delegated by the Minister of Health and Welfare.

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
Calgary Olympic Development Association	560 Bow Valley Square 4 250 6th Ave. S.W. Calgary, Alberta T2P 3H7	National Health and Welfare[2]	1979, Societies Act of Alberta	March 31	Dennard, Johanneseon and Co.	To foster the development of Canadian athletics; to administer the Olympic Endowment Funds; and to operate and maintain the Canada Olympic Park.	N/A
Canada Fitness Survey (99488 Canada Inc.)	506-294 Albert St. Ottawa, Ontario K1P 6E6	National Health and Welfare	1980, Canada Corporations Act	March 31	Deloitte, Haskins and Sells	To collect, interpret and disseminate information pertaining to the fitness levels of Canadians.	N/A
Canada Grains Council	Suite 760 360 Main Street Winnipeg, Manitoba R3C 3Z3	Regional Industrial Expansion; Agriculture	1969, Canada Corporations Act	March 31	Thorne, Riddell & Co.	To provide a forum in which Council members representing all facets of the grain industry could discuss mutual problems, study particular issues and provide advice to the government.	N/A
The Canadian Co-operative Implements Limited	770 Pandora Ave. E. Transcona, Winnipeg, Manitoba R2C 3N1	Agriculture	1940, Dominion Companies Act	October 31	Touche Ross and Co.	To carry on the business of manufacturing, production, distributing, importing, exporting, leasing, buying, selling (both at wholesale and retail) assembling, exchanging and dealing in implements, machinery equipment, tools, goods, wares and merchandise of every kind and description.	N/A
Canadian International Grains Institute	1000-303 Main St. Winnipeg, Manitoba R3C 3G7	Secretary of State for External Affairs	1972, Canada Corporations Act	March 31	Deloitte, Haskins & Sells	To offer courses in grain technology and handling to influential foreign participants in the field to develop existing and potential markets abroad for Canadian grains and oilseeds./ Promotional tool for the export of canadian grain, oilseeds and products.	N/A
Coaching Association of Canada	333 River Road B-10 Vanier, Ontario K1L 8H9	National Health and Welfare	1970, Canada Corporations Act	March 31	Clarkson, Gordon and Co.	To provide programs, services and publications to improve coaching effectiveness throughout Canada.	N/A
Footwear and Leather Institute of Canada	1010 St. Catherine St. W. Suite 710 Montreal, P.Q. H3B 3R4	Regional Industrial Expansion	1976, Canada Corporations Act	March 31	Clarkson, Gordon & Co.	To assist the Canadian footwear manufacturing and tanning industries, especially the small- and medium-size firms, through provision of the expertise required to assist them in achieving their growth potential, and maintaining and improving their performance and viability through greater efficiency.	N/A
Forest Engineering Research Institute of Canada	143 Place Frontenac Pointe Claire, Que. H9R 4Z7	Agriculture	1974, Canada Corporations Act	December 31	Touche, Ross & Co.	To carry out research and development projects to demonstrate practical measures for increasing the efficiency of wood harvesting in Canada.	N/A

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
Fraser River Harbour Commission	Suite 505 713 Columbia Street New Westminster, B.C. V3M 1B2	Transport	1913, New Westminster Harbour Commissioners Act	December 31	Thorne, Riddell & Co.	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
The Hamilton Harbour Commissioners	605 James Street North Hamilton, Ontario L8L 1K1	Transport	1912, Hamilton Harbour Commissioners Act	December 31	Spicer, McGillivray & Co.	To regulate and control navigation and all works and operations within the harbour.	N/A
Hockey Canada Inc.	333 River Road B-10 Vanier, Ontario K1L 8H9	National Health and Welfare	1969, Canada Corporations Act	March 31	Clarkson, Gordon & Co.	To support national hockey teams to represent Canada in international competition and to support generally the playing of hockey in Canada.	N/A
International Fisheries Commissions Pension Society	c/o Treasury Board of Canada Vanier Bldg. 222 Nepean Street Ottawa, Ontario K1A 0R5	Fisheries and Oceans	1957, Canada Corporations Act	September 30	Auditor General of Canada	To arrange for and administer the provision of pensions and insurance for the employees of any international fisheries commission, whose seat or headquarters is in any country established and maintained by Canada or the U.S., or both.	N/A
Thunder Bay Harbour Commission	P.O. Box 2266 Thunder Bay, Ontario P7B 5E8	Transport	1958, Lakehead Harbour Commissioners Act	December 31	Clarkson, Gordon & Co.	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
Last Post Fund	Suite 921 685 Cathcart St. Montreal, Qué. H3B 1M7	Veterans Affairs	1922, Federal Charter	March 31	Francois Bourgault	To ensure that qualified veterans receive dignified burials.	N/A
Medical Council of Canada	1867 Alta Vista Dr. P.O. Box 8234 Ottawa, Ontario K1G 3H7	National Health and Welfare	1912, Canada Medical Act	December 31	Thorne Riddell	To promote and effect the establishment of a qualification in medicine, such that the holders thereof shall be acceptable and empowered to practice in all the provinces of Canada.	N/A
Nanaimo Harbour Commission	P.O. Box 131 104 Front Street Nanaimo, B.C. V9R 5K4	Transport	1960, Harbour Commissions Act	December 31	Bestwick and Partners	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
The Nature Trust of British Columbia	909-100 Park Royal South West, Vancouver, B.C. V7T 1A2	Consumer and Corporate Affairs	1971, Canada Corporations Act	December 31	Thorne Riddell & Co.	To purchase and preserve ecologically important parcels of land in B.C.	N/A
National Sport and Recreation Centre, Inc.	333 River Road Vanier, Ontario K1L 8H9	National Health and Welfare	1974, Canada Corporations Act	March 31	Peat, Marwick, Mitchell & Co.	To assist organizations concerned with the development of Canadian sport and recreation by providing support services in the area of administration and promotion.	N/A

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
North Fraser Harbour Commission	2020 Airport Road Richmond, B.C. V7B 1C6	Transport	1913, North Fraser Harbour Commissioners Act	December 31	Dunwoody & Co.	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
Oo-Za-We-Kwun Centre Inc.	c/o Frank E. Price and Associates Suite 105 62 Margrove Street Winnipeg, Manitoba R3C 1N1	Indian Affairs and Northern Development	1971, Manitoba Companies Act	March 31	(Inactive)	To provide training for Native people (inactive).	N/A
Oshawa Harbour Commission	1050 Farewell Ave. Oshawa, Ontario L1H 6N6	Transport	1961, Oshawa Harbour Commissions Act	December 31	K.R. Craven	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
PARTICIPaction (Sport Participation Corporation)	Suite 805 80 Richmond St. W. Toronto, Ontario M5H 2A4	National Health and Welfare	1971, Canada Corporations Act	March 31	Peat, Marwick, Mitchell and Co.	To inform Canadians about the positive benefits of physical fitness and to motivate them to adopt healthy, physically active lifestyles.	N/A
POS Pilot Plant Corporation	118 Veterinary Rd. Saskatoon, Sask. S7K 2R4	Secretary of State for External Affairs	1973, Canada Corporations Act	March 31	Peat, Marwick, Mitchell & Co.	To increase processing of grains and oilseeds into marketable products./To encourage and promote the development and increase of value-added agriculturally based products for domestic and export consumptions.	N/A
Port Alberni Harbour Commission	P.O. Box 99 2750 Harbour Road Port Alberni, B.C. V9Y 7M6	Transport	1947, Harbour Commissions Act	December 31	Newman Hill, Duncan & Lacoursièr	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
Roosevelt Campobello International Park Commission	P.O. Box 9 Welshpool Campobello Island N.B. E0G 3H0	Secretary of State for External Affairs	1964, The Roosevelt Campobello International Park Commission Act	December 31	Brooks and Carter	To administer as a memorial the Roosevelt Campobello International Park.	N/A
Saint John Harbour Bridge Authority	P.O. Box 6176 Station A Saint John, N.B. E2L 4R6	Finance	1962, Statute passed by Province of N.B.	March 31	Touche, Ross & Co.	To construct a bridge across the Harbour of Saint John, and to enter into agreement with federal, provincial and municipal governments, persons or corporations respecting the financing and construction of such bridge.	N/A
Terry Fox Humanitarian Award Inc.	711-151 Sparks St. Ottawa, Ontario K1P 5E3	National Health and Welfare	1982, Canada Corporations Act	April 30	Touche, Ross & Co.	To encourage Canadian youth to seek high ideals as represented by Terry Fox by granting commemorative scholarships.	N/A

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
The Toronto Harbour Commissioners	60 Harbour Street Toronto, Ontario M5J 1B7	Transport	1911, Toronto Harbour Commissionners Act	March 31	Thorne, Riddell & Co. Lybrand	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
The Vanier Institute of the Family	Suite 207 151 Slater Street Ottawa, Ontario K1P 5H3	Prime Minister	1965, Canada Business Corporations Act	December 31	Coopers & Lybrand	To promote the spiritual and material well-being of Canadian families and to study their social, physical, mental, moral and financial environment and characteristics.	N/A
Western Grains Research Foundation	111 Sparks Street Ottawa, Ontario K1P 5BS	Agriculture	1981, Canada Corporations Act	December 31	G.A. Welch and Company	To help with improving the productivity and profitability of grains and oilseeds production in the prairie provinces.	N/A
Windsor Harbour Commission	500 Riverside Dr. West Windsor, Ontario N9A 5K6	Transport	1957, Windsor Harbour Commissioners Act	December 31	Peat, Marwick & Mitchell	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A

4.3 International Organizations—Entities Created Pursuant to International Agreements to which Canada has a Right to Appoint or Elect Members to a Governing Body

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
African Development Bank	01 P.O. Box 1387 Abidjan 01 Côte d'Ivoire Africa	Secretary of State for External Affair	1963, Agreement signed by member countries	December 31	Akintola Williams & Co.	To contribute to the acceleration of economic development of the member countries, individually and collectively. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	3.2%
African Development Fund	01 P.O. Box 1387 Abidjan 01 Côte d'Ivoire Africa	Secretary of State for External Affair	1972, Agreement signed by member countries	December 31	Deloitte, Haskins & Sells	To assist the African Development Bank in making an increasingly effective contribution to the economic and social development of the Bank members. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	N/A
Asian Development Bank	P.O. Box 789 Manila, The Philippines	Secretary of State for External Affairs	1965, Agreement signed by member countries	December 31	Deloitte, Haskins & Sells	To lend funds, promote investments and provide technical assistance to developing countries, and generally to foster economic growth in the Asian Region. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	53%
Caribbean Development Bank	P.O. Box 408 Wildey, St. Michael Barbados	Secretary of State for External Affairs	1969, Agreement signed by member countries	December 31	Price, Waterhouse & Co.	To contribute to the harmonious economic growth and development of the member countries and integration among them, having special and urgent regard to the needs of the less developed members of the region. To contribute to achievement of Canada's development assistance, foreign policy and trade objectives.	61%
Commonwealth War Graves Commission	2 Marlow Road Maidenhead, Berks. U.K. Sl6 7DX	Veterans Affairs	1917, Royal Charter	March 31	Auditor General of Canada	To mark and maintain graves and memorials and keep records of the members of the Forces of the Commonwealth who died in the two World Wars.	N/A

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
Inter American Development Bank	808-17th St., N.W. Washington, D.C. U.S.A. 20577	Secretary of State for External Affairs	1959, Agreement signed by member countries	December 31	Price, Waterhouse & Co.	To contribute to the acceleration of the process of economic development of the member countries, individually and collectively. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	5%
International Bank for Reconstruction and Development	1818 H Street, N.W. Washington, D.C. U.S.A. 20433	Finance	1945, Bretton Woods Agreement Act	June 30	Price, Waterhouse & Co.	To assist in the reconstruction and development of territories of member countries.	3%
International Boundary Commission	615 Booth Street Ottawa, Ontario K1A 0E9	Secretary of State for External Affairs	1908, Treaty 1960, International Boundary Commission Act	March 31	Auditor General of Canada	To keep the boundary vista entirely free of obstruction and plainly marked for the proper enforcement of customs, immigration, fishing and other laws of Canada and the U.S. The Commission is concerned with fixed things on the boundary line or near it, not with movement across it.	N/A
International Development Association	1818 H Street, N.W. Washington, D.C. U.S.A. 20433	Finance	1960, Articles of Agreement; 1960, International Development Association Act	June 30	Price Waterhouse & Co.	To promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world.	3.5%
International Finance Corporation	1818 H Street N.W. Washington, D.C. U.S.A. 20433	Finance	1956, Articles of Agreement; Vote 731, Appropriation Act No. 6, 1956	June 30	Price Waterhouse & Co.	To further economic development by encouraging the growth of productive enterprise in member countries, supplementing the activities of the International Bank for Reconstruction and Development.	4%
International Fund for Agricultural Development	107 Via Del Serafico 00142 Rome, Italie	Secretary of State for External Affairs	1976, International Agreement	December 31	Price, Waterhouse & Co.	To mobilize additional resources to be made available on concessional terms for agricultural development in member states. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	N/A
International Joint Commission	100 Metcalfe St. Ottawa, Ontario K1P 5M1	Secretary of State for External Affairs	1909, Boundary Waters Treaty Act	March 31	Auditor General of Canada	To deal with the use, obstruction and diversion of boundary waters and rivers crossing the boundary between Canada and the U.S.	N/A
International Monetary Fund	700 19th St., N.W. Washington, D.C. 20431 U.S.A.	Finance	1945, Agreement Signed by Member Countries	April 30	External Audit Committee	Established to promote economic welfare by encouraging the expansion of trade, the maintenance of orderly exchange arrangements, and the reduction of balance of payments.	N/A